

Town of Surfside Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

TOWN OF SURFSIDE, FLORIDA

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2006



Prepared by:
Town of Surfside
Finance Department

TOWN OF SURFSIDE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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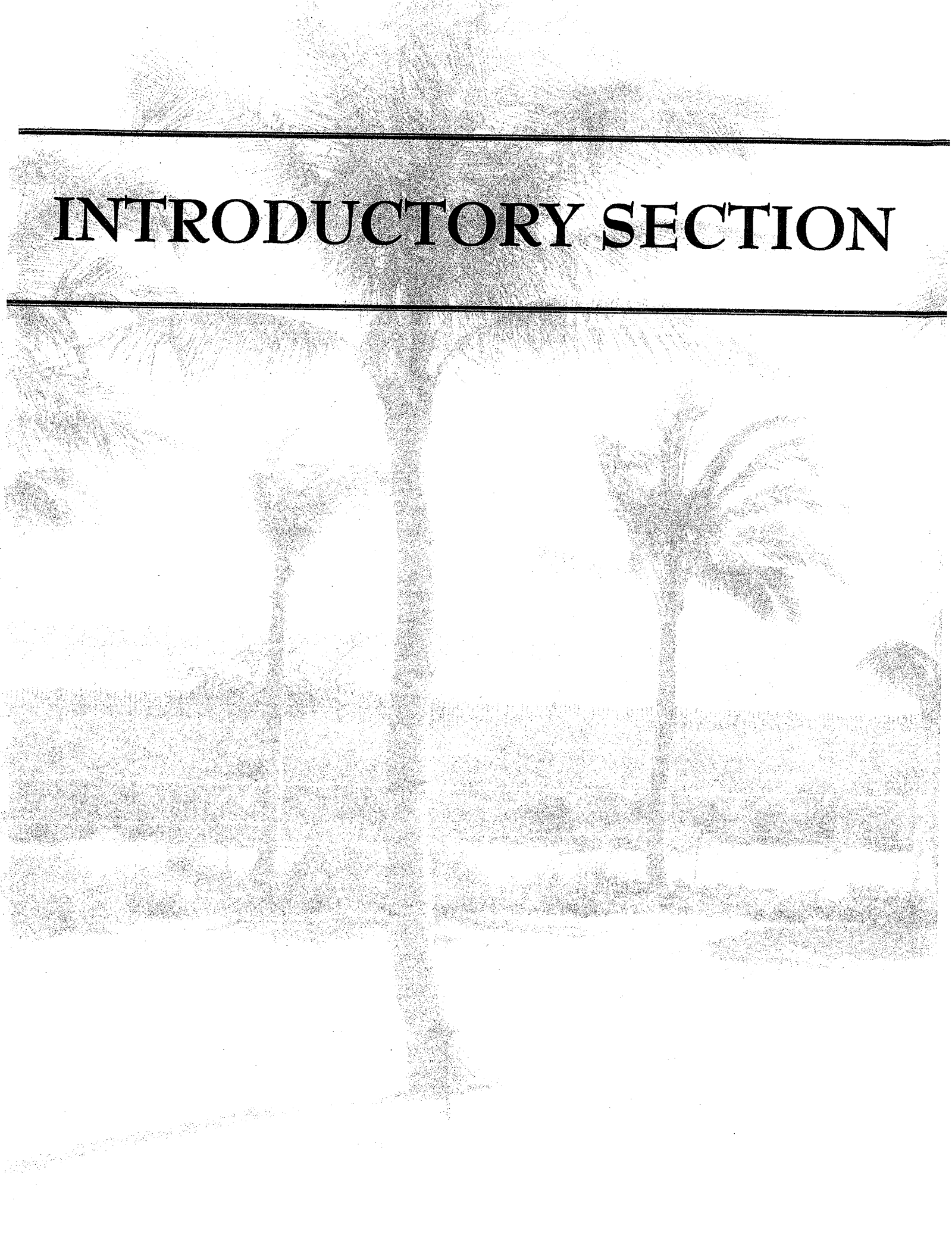
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INTRODUCTORY SECTION



LETTER OF TRANSMITTAL



TOWN OF SURFSIDE
MUNICIPAL BUILDING
9293 HARDING AVENUE
SURFSIDE, FLORIDA 33154
TELEPHONE: (305) 861-4863
FACSIMILE: (305) 861-1302

March 1, 2007

CHARLES W. BURKETT
MAYOR

Honorable Mayor Charles W. Burkett
Vice Mayor Howard S. Weinberg, Esq.,
Commissioners Marc Imberman,
Steven Levine, Esq., and Mark Blumstein, Esq.
Residents of Town of Surfside, Florida

HOWARD S. WEINBERG, ESQ.
VICE MAYOR

MARC IMBERMAN
COMMISSIONER

We are pleased to present the Comprehensive Annual Financial Report (the "CAFR") of the Town of Surfside, Florida as of and for the year ended September 30, 2006. State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements in conformity with accounting principles generally accepted in the United States (GAAP), and audited in accordance with generally accepted auditing standards and governmental auditing standards by licensed certified public accountants. Additionally, Section 33 of the Town Charter requires that qualified public accountants shall perform an independent audit of accounts for submission to the Town Commission. In fulfillment of these requirements, the Town of Surfside's Comprehensive Annual Financial Report, is presented for your consideration and review.

STEVEN LEVINE, ESQ.
COMMISSIONER

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town Management. We believe the enclosed information as presented is accurate in all material respects, that it is presented in a manner designed to present fairly the financial position and results of the operations of the Town, on a Government-wide and Fund basis. To provide a reasonable basis for making these representations, management has established a comprehensive framework of internal control that is designed to safeguard Town assets from loss, theft, misappropriation and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

MARK BLUMSTEIN, ESQ.
COMMISSIONER

All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

W. D. HIGGINBOTHAM
TOWN MANAGER

The Town of Surfside's financial statements have been audited by A.M. Jones, C.P.A., P.A., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Surfside as of and for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Surfside's financial statements as of and for the year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report (page 1).

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The report contains four sections, namely the introductory section, the financial section including the required supplementary information, the statistical section, and other reports. Listed below is summary of each section and the information it contains:

- The introductory section includes the table of contents, a listing of Town Officials, the Town's organization chart, this letter of transmittal, and the Certificate of Achievement for Excellence in Financial Reporting presented to the Town by the Government Finance Officers Association of the United States and Canada for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2005.
- The financial section contains the auditor's report, management's discussion and analysis (MD&A), the entity-wide financial statements and separate fund statements for governmental activities, proprietary activities and trust and agency funds. It also includes the notes to the financial statements, which provide additional information related to the financial statements as well as the required supplemental information. This supplementary information contains the retirement plan information, combining financial statements for the nonmajor governmental funds, and budget information.
- The statistical section contains various schedules detailing comparative and trend information on the Town's revenues, expenditures/expenses, taxes, debt, and other pertinent information.
- The other reports section contains the independent auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governmental Auditing Standards*. Additionally, this section includes the independent auditor's Report to Management regarding current year comments, recommendations, and management responses.

Profile of the Government

The Town of Surfside, Florida, was incorporated on May 19, 1935. The Town of Surfside's Charter was adopted under the provisions of Chapter 27914, Laws of the State of Florida, in 1951. The Town is a small prestigious community situated on the Atlantic Ocean with Biscayne Bay to the west, Miami Beach to the south and Bal Harbour Village to the north. The Town serves a population of approximately 5,600 residents. The Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town of Surfside operates under a commission-manager form of government. Policy-making and legislative authority are vested in the governing body (the Town Commission) consisting of a mayor and four other members, all elected on a non-partisan basis. The Commission appoints the Town's manager who serves as the chief executive officer and head of the administrative branch of the Town government. The Town Manager appoints the heads of the various departments. The Town Mayor and Commission members serve two year terms. The Town of Surfside provides a full range of services, including public safety (police, building and zoning), transportation and maintenance of roads and

streets and other infrastructure, recreational and cultural activities, water and sewer utilities, parking facilities, sanitation (refuse collection), storm water utilities, and administrative services.

The Commission is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation of the Town's financial planning and control. The Town Manager presents a proposed budget to the Town Commission, after having reviewed and revised budget requests from all departments. The Commission holds two public hearings to receive public comment prior to adopting the final budget and tax millage. The budget is prepared by fund, function (e.g., recreation and culture) and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing commission.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Town of Surfside operates.

Local Economy

The Town of Surfside currently enjoys a favorable economic environment. The Town's ideal location makes it a desirable place in which to live and to work. The Town is conveniently located within driving distance of the cities of Miami Beach, Miami, and Fort Lauderdale, with all their commercial and employment opportunities and cultural and other amenities. The major airports, Miami and Fort Lauderdale, along with Port Everglades, and the Port of Miami are all easily accessible.

While growth in the geographic area is restricted, enhancement of property values and the quality of life are advancing steadily. Remodeling of private residences continues to take place at a rapid rate. Building permit valuation was high again this year. The Town issued 1,261 permits with a valuation of approximately \$33,416,004 during the fiscal year ended September 30, 2006. The continuing influx of families is further evidence of an even higher quality of life, which is available to all residents of the Town.

New and prestigious condominiums are being constructed while hotels and motels continue to renovate and improve their facilities. Tourism continues to flourish in the remaining hotel and motel properties. The Town resort tax collections provide funds for advertising, promotion of tourism, and for the maintenance of the community center. The community center is a focal point of the Town. Meaningful events are presented at the center throughout the year.

The Town of Surfside boasts a beautiful and popular district for dining, shopping, and conducting business of all kinds. Over the past few years the Town of Surfside has developed one of Florida's premier "restaurant rows," with superb and reasonably priced food from around the globe.

As a result of a variety of revitalization efforts the occupancy rate for the Town's commercial district has increased to one-hundred percent with no significant decline anticipated in the foreseeable future.

The economic condition of the area during the past year was good, and the outlook for the future is positive. The Property tax values and revenues continued to grow during the past year.

Long-term financial planning

Unreserved, undesignated fund balance in the general fund is approximately 53.1 percent of the total general fund revenues. Additionally, there is

approximately \$2.3 million in the special projects fund, which is designated for capital projects approved by the Town Commission. The financing of the proposed construction to the community center and library will be partially funded by the special projects fund, transfers from the general fund, and external financing as required.

The Town had no external long-term debt as of year end. The only long-term debt of the Town is for the compensated absences liability to the employees. Please refer to the Management Discussion and Analysis for additional information on this liability.

Accomplishments

During the past year there have been some noteworthy events in the Town that have or will have a positive impact on the area:

- Commencement of the Surfside Charette, a community-based design workshop to bring together residents, business owners, and civic leaders to collaborate with designers on a vision and feasible plan for the Town.
- The streets of the Town were resurfaced and re-striped.
- Conceptual plans were commenced for the Beach Walking Path.
- Presentation of workshops for decisions on potable water, storm water, and the waste water systems.
- Revitalization of downtown Surfside with the additions of valet parking and sidewalk restaurant services enhanced by attractive umbrellas.
- Art festivals and activities were presented by the Tourist Bureau. Additional activities for this Bureau include a 5K run.
- The establishment of a Traffic Safety Unit, which resulted in an enforcement increase of approximately 400%.
- Acquisition of two specially equipped police bicycles for rapid deployment in areas not easily accessible by traditional police vehicles.
- Community programs were presented to residents to educate and increase awareness, participation and response during critical emergencies.

Reasonably priced parking is available throughout the Town. There are numerous on-street parking spaces and several public parking lots surround the Business and Shopping District. Public transportation is available to and from the Business and Shopping District. The Town's own circulator bus service runs throughout the Town of Surfside for the convenience of and at no cost to our residents and guests.

Major initiatives

The capital projects challenges in the future will be to maintain our past capital investments and continue to make sound decisions on the future investments needed to maintain the quality of life for all of our residents and visitors. The Town officials are committed to meet these challenges while maintaining the high level of services that our residents have come to expect. The capital improvement plan is reviewed each year to make the difficult decisions necessary to assure that resources are utilized in the most efficient and effective way possible.

The Town is proceeding with the plans for the new Community Center. The Town has completed the Request for Qualifications for the architect, and for the project manager for the community center, aquatics facility, and library (the

other infrastructure enhancements as well as the construction of the beach walking path.

Cash Management and Investments

The Town has adopted a cash management policy that is conservative and emphasizes, in order of priority, capital preservation, adequate liquidity, and maximization of total return. To ensure the safety of the Town's funds, all investments are with depositories that are qualified under Florida law and thus are fully collateralized in accordance with Chapter 280 of the State Statutes. All monies invested, except those held by the pension fund, are invested in the State of Florida Investment Pool for Local Governments. The annual yield on the invested funds at this State Investment Pool was 5.39% as of September 30, 2006, compared with a range of 2.1% to 5.0% for deposits at a qualified public depository.

The Retirement Plan for Employees of the Town of Surfside has its own investment policy appropriate to its longer-term perspective, and allows for positions in investment-grade debt and corporate stocks, including limited international exposure.

Awards and Acknowledgments

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Surfside for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2005. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This CAFR satisfied both generally accepted accounting principles and applicable legal requirements.

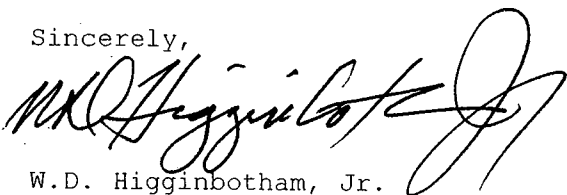
The Certificate of Achievement is the highest form of recognition for excellence in financial reporting by state and local governments, and is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

Credit also must be given to the Town Mayor and Town Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Surfside's finances.

For further information, please refer to the Management's Discussion and Analysis section of this report.

Sincerely,



W.D. Higginbotham, Jr.
Town Manager



Daniel E. Martinez
Town Controller

TOWN OF SURFSIDE, FLORIDA
Listing of Elected and Appointed Officials
Fiscal Year Ended September 30, 2006

TOWN COMMISSION

Charles W. Burkett, Mayor

Howard S. Weinberg, Esq., Vice Mayor

Marc Imberman, Commissioner

Steven Levine, Esq., Commissioner

Mark Blumstein, Esq., Commissioner

Appointed Officials

W.D. Higginbotham, Jr., Town Manager

Beatris Arguelles, Town Clerk

Daniel E. Martinez, Town Controller

Lynn M. Dannheisser, Town Attorney

A. M. Jones, C.P.A., P.A.,
Independent Certified Public Accountants

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Surfside
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

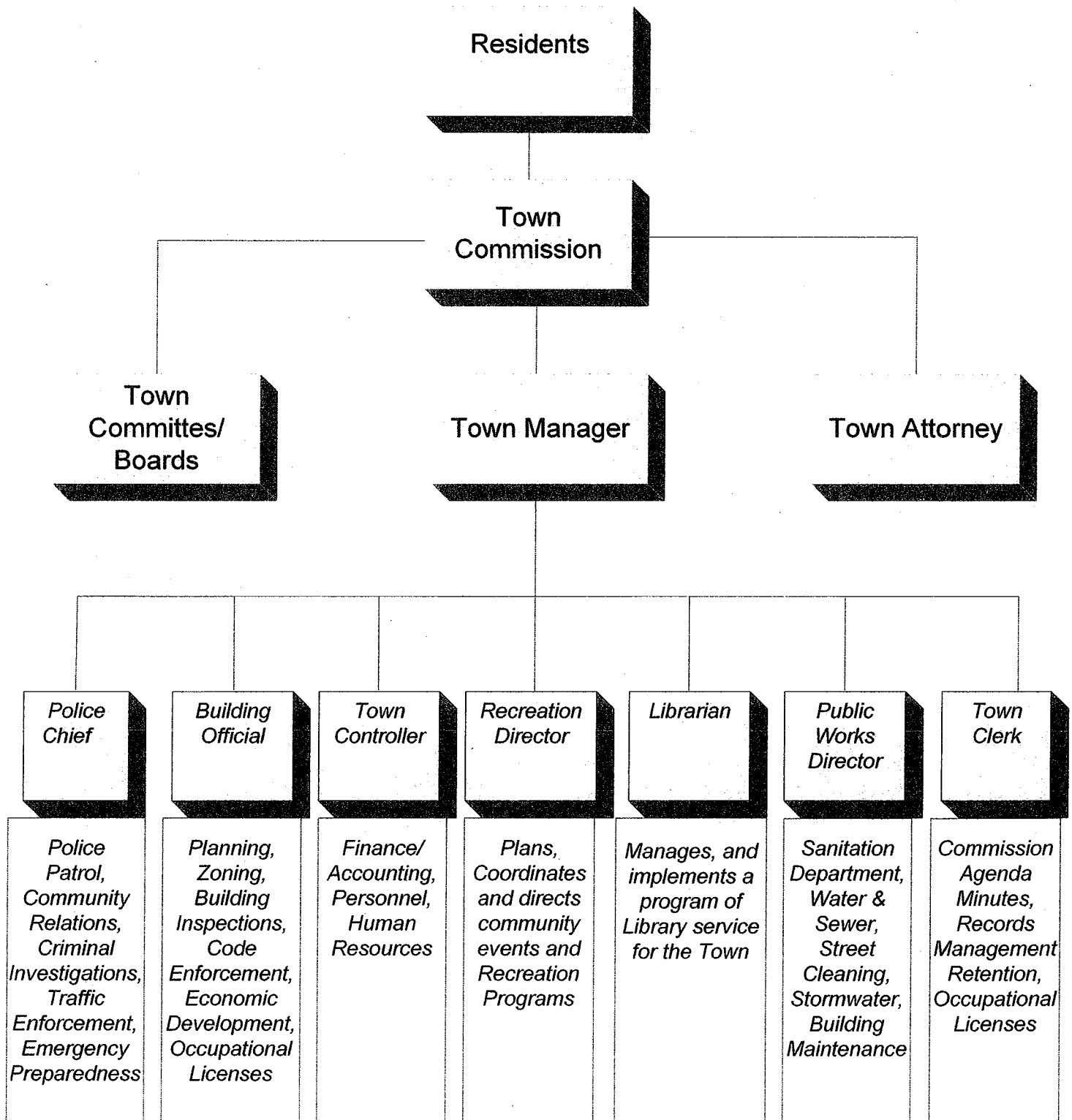


President

Executive Director

Organization Chart

Town of Surfside, Florida



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the Town Commission
and Town Manager
Town of Surfside
Surfside, Florida

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside, Florida (the "Town") as of and for the year ended September 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Town of Surfside's nonmajor governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable.

Honorable Mayor
Members of the Town Commission
and Town Manager

In accordance with *Government Auditing Standards*, we also have issued our report dated March 1, 2007, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and required supplementary information on pages three through fourteen, and fifty-five through sixty-seven respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

A. M. Jones, C.P.A., P.A.

A.M. Jones, C.P.A., P.A.
Pompano Beach, Florida
March 1, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

MD&A

Town of Surfside

Management's Discussion and Analysis for the Year Ended September 30, 2006

As management of the Town of Surfside, we offer readers of the Town of Surfside financial statements this narrative overview and analysis of the financial activities of the Town of Surfside for its fiscal year ended September 30, 2006. The Town implemented the following Government Accounting Standards Board (GASB) Statements during fiscal year 2006:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*;
- GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*;
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*; and
- GASB Statement No. 47, *Accounting for Termination Benefits*.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - v of this report, as well as the financial statements and notes to financial statements which follow.

Financial Highlights

The following are the highlights of financial activity for the fiscal year ended September 30, 2006:

- The assets of the Town of Surfside exceeded its liabilities at the close of the most recent fiscal year by \$21,959,920 (net assets). Of this amount \$8,962,060 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$891,149.
- As of the close of the current fiscal year, the Town of Surfside's governmental funds reported combined ending fund balances of \$8,891,574, a decrease of \$1,177,480 in comparison with the prior year. Approximately, seventy-four percent (74%) of the total fund balance, \$6,614,820, is unreserved, undesignated, and available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$5,336,016, or 50.3% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Surfside's basic financial statements. The Town of Surfside's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with

a broad overview of the Town of Surfside's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town of Surfside's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Surfside is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Town of Surfside that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Surfside include general government, public safety, building inspections and code enforcement, highways and streets, economic development, and culture and recreation. The business-type activities of the Town of Surfside include the water and sewer, municipal parking, sanitation, and stormwater utility operations.

The government-wide financial statements can be found on pages 15 - 17 of this report.

Fund financial statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Surfside, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Surfside can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on the *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Surfside maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special projects and the police forfeiture funds, which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The Town of Surfside adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 - 22 of this report.

Proprietary funds. The Town of Surfside maintains one type of proprietary fund referred to as an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses the enterprise fund to account for the water and sewer, municipal parking, sanitation, and the stormwater utility operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, municipal parking, and sanitation operations, which are considered major funds of the Town of Surfside, and the stormwater utility operation, which is considered as a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 24 - 31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Surfside's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds and includes the Retirement Plan for Employees of the Town of Surfside.

The basic fiduciary fund financial statements can be found on pages 32 and 33 of this report.

Notes to the Basic Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35 - 56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town of Surfside's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information for the retirement plan can be found on 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 62 - 66 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Surfside, assets exceeded liabilities by \$21,959,920 at the close of the most recent fiscal year.

The Town of Surfside's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), which totals 41.6% of the net assets. As of September 30, 2006, there was no related debt associated with any of these capital assets. The Town of Surfside uses these capital assets to provide services to the citizens; consequently, they are not available for future spending.

TOWN OF SURFSIDE'S Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current & other assets	\$10,979,983	\$11,160,806	\$4,522,783	\$4,223,521	\$15,502,766	\$15,384,327
Capital assets	<u>8,204,180</u>	<u>6,583,160</u>	<u>921,947</u>	<u>778,258</u>	<u>9,126,127</u>	<u>7,361,418</u>
Total assets	<u>19,184,163</u>	<u>17,743,966</u>	<u>5,444,730</u>	<u>5,001,779</u>	<u>24,628,893</u>	<u>22,745,745</u>
Long-term liabilities	301,449	313,638	51,478	41,178	352,927	354,816
Other liabilities	<u>2,008,235</u>	<u>914,828</u>	<u>307,811</u>	<u>407,330</u>	<u>2,316,046</u>	<u>1,322,158</u>
Total liabilities	<u>2,309,684</u>	<u>1,228,466</u>	<u>359,289</u>	<u>448,508</u>	<u>2,668,973</u>	<u>1,676,974</u>
Net assets:						
Invested in						
capital assets	8,204,180	6,583,160	921,947	778,258	9,126,127	7,361,418
Restricted	822,422	843,951	343,868	342,346	1,166,290	1,186,297
Unrestricted	<u>7,847,877</u>	<u>9,088,389</u>	<u>3,819,626</u>	<u>3,432,667</u>	<u>11,667,503</u>	<u>12,521,056</u>
Total net assets	<u>\$16,874,479</u>	<u>\$16,515,500</u>	<u>\$5,085,441</u>	<u>\$4,553,271</u>	<u>\$21,959,920</u>	<u>\$21,068,771</u>

An additional portion of the Town of Surfside's net assets \$1,166,290 (5.3%) includes resources subject to external restrictions. The remaining balance of *unrestricted net assets*, \$11,667,503 (53.1%) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Surfside is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$891,149 during the current fiscal year. Approximately eighty-four percent (84%) of this increase represents the degree to which increases in ongoing revenues has outstripped similar increases in ongoing expenses. The remainder of this growth (16%) largely reflects increases in operating grants and investment earnings.

Governmental activities. Governmental activities increased the Town of Surfside's net assets by \$358,979 thereby accounting for forty percent (40%) of the total growth in the net assets of the Town of Surfside. Key elements of this increase are as follows:

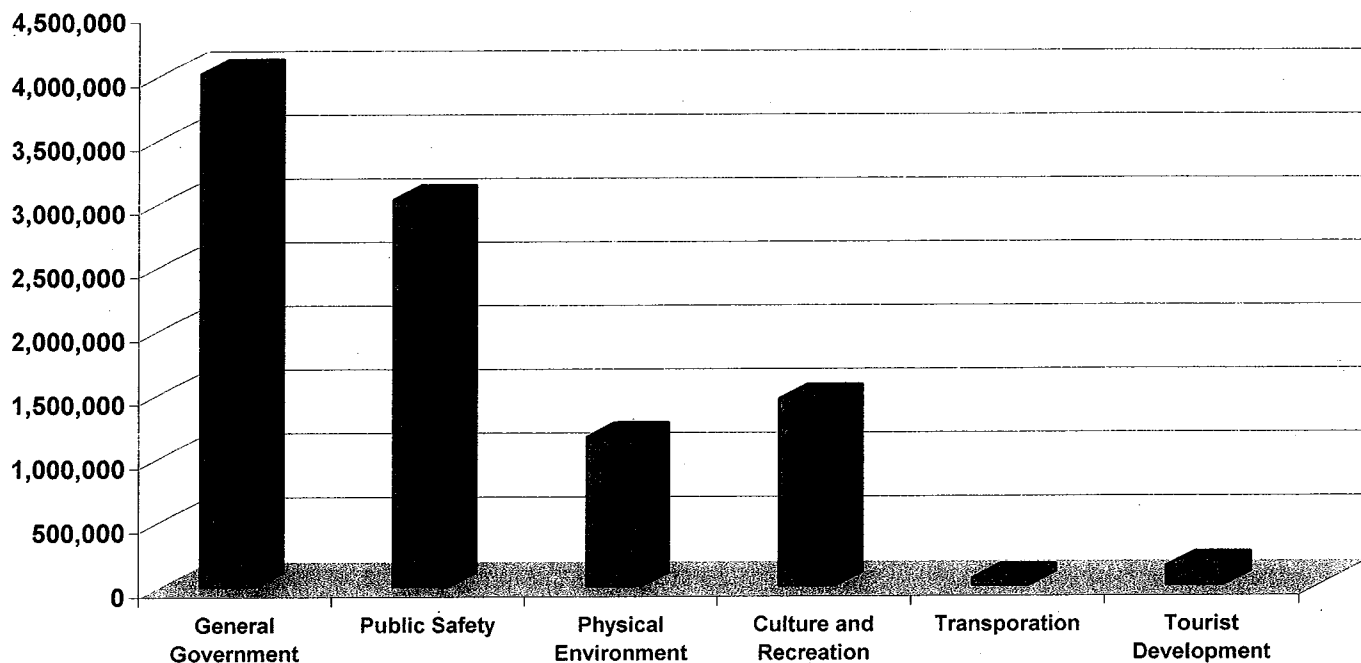
TOWN OF SURFSIDE'S Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
REVENUES						
Program revenues:						
Charges for services	\$ 800,462	\$ 910,357	\$2,724,980	\$2,756,697	\$3,525,442	\$ 3,667,054
Operating grants and contributions	350,165	216,616	333,674	12,952	683,839	229,568
Capital grants and contributions						
General revenues:						
Property taxes	5,846,079	4,735,259	-	-	5,846,079	4,735,259
Other taxes	2,406,915	2,199,150	-	-	2,406,915	2,199,150
Interest earnings	563,494	263,603	151,372	80,514	714,866	344,117
Miscellaneous	544,216	58,743	1,522	1,522	545,738	60,265
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other						
Total Revenues	<u>10,511,331</u>	<u>8,383,728</u>	<u>3,211,548</u>	<u>2,851,685</u>	<u>13,722,879</u>	<u>11,235,413</u>
Expenses:						
General Government	4,016,141	2,464,164	-	-	4,016,141	2,464,164
Public Safety	3,029,368	2,664,931	-	-	3,029,368	2,664,931
Physical environment	1,161,599	909,393	-	-	1,161,599	909,393
Culture and recreation	1,460,284	1,247,493	-	-	1,460,284	1,247,493
Tourism development	146,885	131,335	-	-	146,885	131,335
Transportation	53,941	37,034	-	-	53,941	37,034
Water and Sewer	-	-	1,360,734	1,178,986	1,360,734	1,178,986
Municipal parking	-	-	107,555	143,472	107,555	143,472
Sanitation	-	-	1,412,283	920,923	1,412,283	920,923
Stormwater utility	-	-	82,940	62,268	82,940	62,268
Total expenses	<u>9,868,218</u>	<u>7,454,350</u>	<u>2,963,512</u>	<u>2,305,649</u>	<u>12,831,730</u>	<u>9,759,999</u>
Increase in net assets before transfers	643,113	929,378	248,036	546,036	891,149	1,475,414
Transfers in (out)	(284,134)	(258,833)	284,134	258,833	-	-
Increase in net assets	358,979	670,545	532,170	804,869	891,149	1,475,414
Net assets - 1-1-2005	<u>16,515,500</u>	<u>15,844,955</u>	<u>4,553,271</u>	<u>3,748,402</u>	<u>21,068,771</u>	<u>19,593,357</u>
Net assets- 9-30-2006	<u>\$16,874,479</u>	<u>\$16,515,500</u>	<u>\$ 5,085,441</u>	<u>\$ 4,553,271</u>	<u>\$21,959,920</u>	<u>\$21,068,771</u>

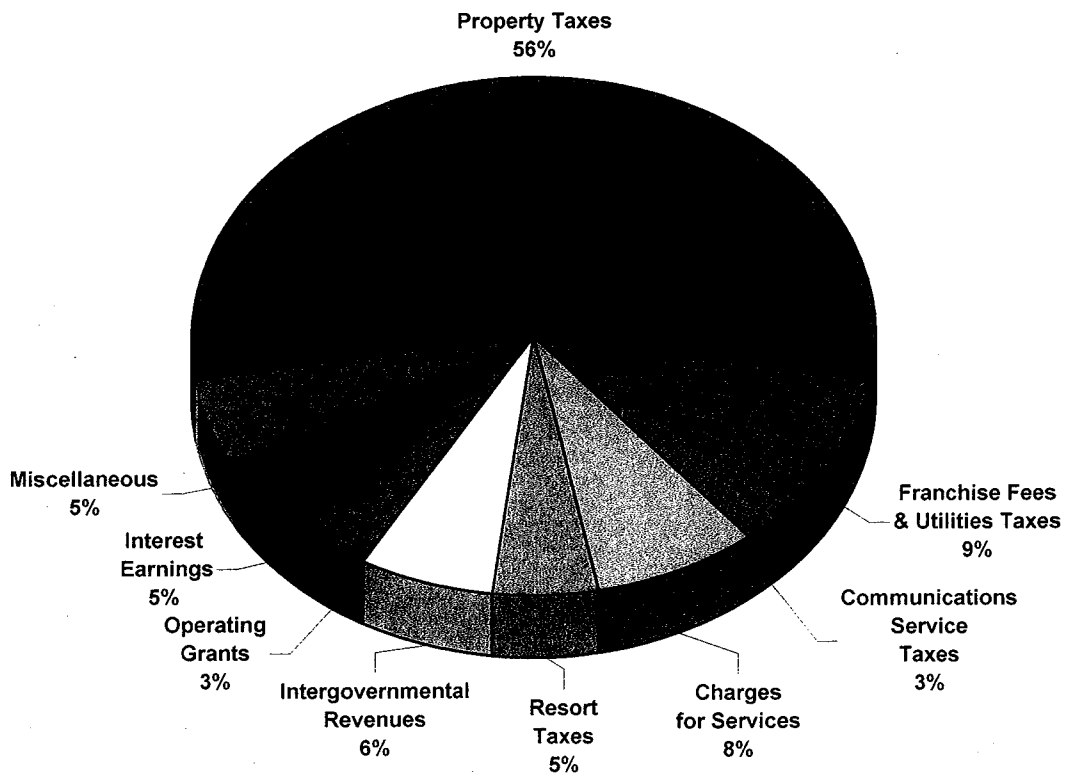
- Property tax revenues increased by \$1,110,820 (23.5 percent) during the current year. These property tax revenues represent 55.6% percent of the total governmental activities revenues.
- Operating grants for governmental activities increased by \$133,549 (61.7 percent) during the current year. Of this total amount received of \$350,165, \$151,999 was received from Federal Emergency Management Agency (FEMA) to reimburse the Town for costs incurred as a result of damages caused by Hurricane Wilma. These costs were mainly for debris removal.

For the most part, increases in expenses represented the costs for the resurfacing and re-striping of the Town's streets as well as the settlements of prior years' litigation. Additional increases in the expenses closely paralleled inflation and growth in demand for services, particularly in the area of public safety and recreational programs.

Expenses Governmental Activities



Revenues by Source - Governmental Activities



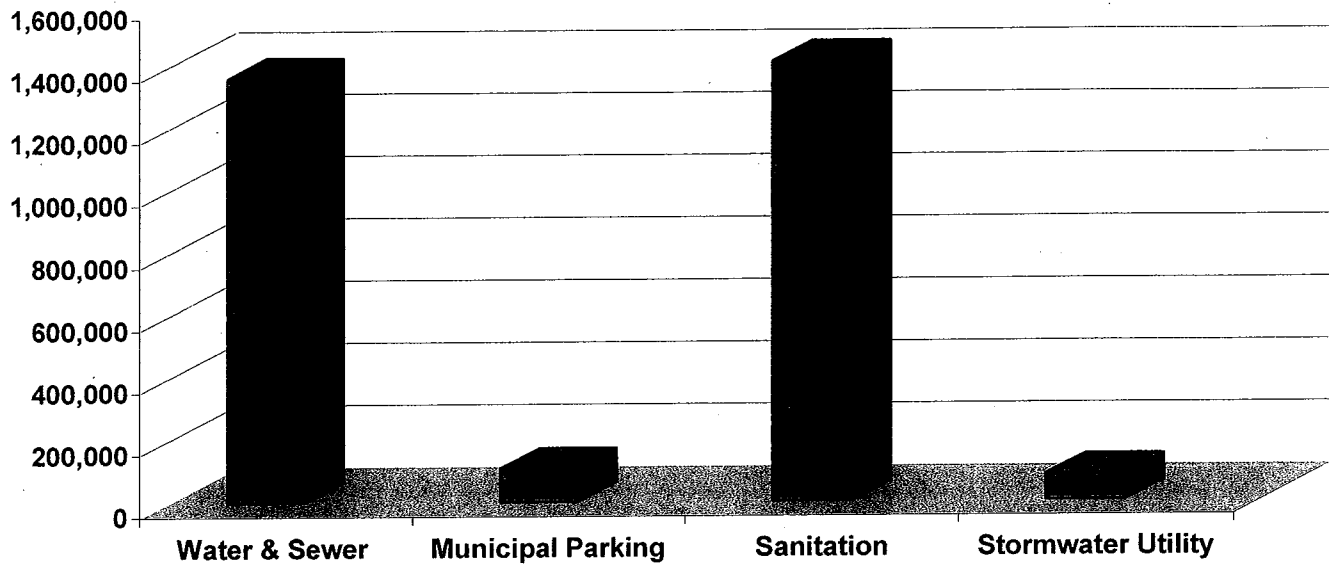
Business-type Activities

Business-type activities increased the net assets of the Town of Surfside by \$532,170 accounting for seventy-four percent (74%) of the total growth in the government's net assets. Key elements of this increase are as follows.

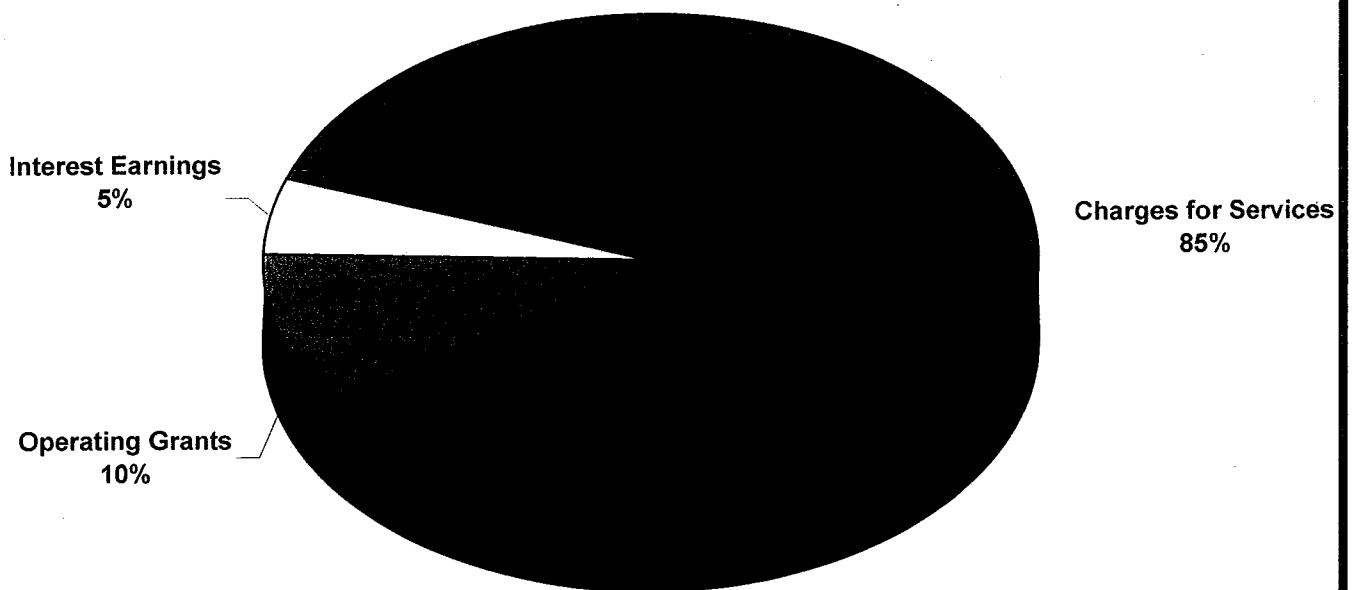
- Charges for services for business-type activities decreased by \$31,717 a 1.2 percent decrease. Operating expenses increased by \$657,863 a 28.5 percent increase. \$341,992 of this increase was the result of the Hurricane Wilma debris removal expenses in the Sanitation Fund and \$149,368 represented an increase in that fund's operating expenses. Included in the revenues for the Sanitation Fund is \$330,881 in FEMA reimbursements for the charges related to the hurricane expenses.
- The Water and Sewer operations accounted for \$227,597 or 42.8 percent of the increase in the net assets of the business-type activities. The charges for services of the water and sewer operations decreased by \$34,280. The operating expenses increased by \$181,748. Despite the impact on the net assets from this increase in operating expenses the net assets of those operations increased by the above-referenced amount.
- The municipal parking fund accounted for \$245,685 or 46.2 percent of the increase in net assets. The revenues of the municipal parking decreased by \$52,897 or 15.8% while the operating expenses decreased by \$35,917 or 25.0%. The decrease in the revenues is mainly the result of more favorable parking privileges for the Town's residents.
- The storm water utility fund accounted for \$49,643 or 9.3% of the increase in net assets. The revenues of this fund remained rather level while the operating expenses decreased by \$20,672. The fund received a grant of \$2,793 from the Florida Department of Transportation.
- Interest earnings for the business-type activities totaled \$151,372 for the current year representing an increase of \$70,858 or eighty-eight percent (88%) over the prior year. This increase is mainly the result of a more favorable market for interest rates during the current year.

Business Type Activities

**Expense by
Business Type Activities**



**Revenues by Source -
Business Type**



Financial Analysis of the Governmental Funds

As mentioned previously, the Town of Surfside uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Surfside's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Surfside's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Surfside's governmental funds reported combined ending fund balances of \$8,891,574, a decrease of \$1,177,480 in comparison with the prior year. Approximately seventy-four percent (74%) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance \$2,276,754 or twenty-six percent (26%) is *designated* for subsequent years' special projects mainly capital in nature, which require approval by the Town Commission.

The general fund is the chief operating fund of the Town of Surfside. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$5,336,016. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance of the general fund represents 50.3 percent of the total general fund expenditures.

The fund balance of the Town of Surfside's general fund decreased by \$1,172,227 during the current fiscal year. Key factors in this activity in the fund balance are as follows:

- The property taxes increased by \$1,110,820 or 23.5 percent over the prior year mainly because of the increased assessed valuations of the property within the Town.
- Resort taxes increased by \$40,918 or 8.1 percent over the prior year.
- Interest earnings increased by \$232,091 or 284.7 percent increase over the prior year. The increased interest rates during the current fiscal year were instrumental in this resulting increase.

The total expenditures of the general fund increased by \$3,445,737 or 48.0 percent over the prior year. Key factors in this increase are as follows:

- Expenditures of the general government increased by \$1,603,651 or 66.7% over the prior year. \$1,528,918 of this increase is the result of the settlements of prior years' litigation.
- Expenditures of public safety increased by \$318,549 or 12.6% over the prior year. Personal services expenditures increased by \$337,170 while other expenditures decreased by \$18,621.
- The expenditures of the recreation department increased by \$9,574 or .8 percent over the prior year.
- The expenditures of the public works operations increased by \$1,566,801 or 68.7 percent over the prior year. There was an increase in capital expenditures for these operations of \$1,569,293 as a result of the Town's streets resurfacing and re-striping project.

Proprietary funds.

The Town of Surfside's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year totaled \$2,085,756. The unrestricted net assets of the Municipal Parking Fund at the end of the year amounted to \$2,058,083. The unrestricted net assets of the Sanitation Fund and Storm Water Utility Fund totaled \$420,239 and \$521,363, respectively. The total growth in net assets in the propriety funds is as follows: Water and Sewer Fund \$227,597; Municipal Parking Fund \$245,685; Sanitation Fund \$9,245, and Storm Water Utility Fund \$49,643. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Surfside's business-type activities.

General Fund Budgetary Highlights

During the year there was an increase in appropriations between the original and final amended budget. Following are the main components of this increase:

- A supplemental appropriation of \$2,036,560 in the general government appropriations for the anticipated increase of \$1,638,560 for the settlement of prior years' litigation, and \$398,000 for the anticipated increase in legal fees relating to such settlement agreements.
- A supplemental appropriation of \$1,011,000 in the public works department for the anticipated expenditures relating to the Town's streets resurfacing and re-striping project.

These increases were possible because of additional anticipated revenues the use of the prior years' fund balance. Those revenues included \$151,999 received from FEMA for Hurricane Wilma reimbursements, an increase in interest income of approximately \$240,000, increased receipts of \$33,000 from intergovernmental revenue, and \$508,800 in insurance reimbursements relating to the litigation settlements, and legal fees.

The originally budgeted net interfund transfers from the general fund were decreased by approximately \$491,438.

Capital Assets

The Town of Surfside's investment in capital assets for its governmental and business-type activities as of September 30, 2006, amounts to \$9,126,127 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, water and sewer systems, machinery and equipment, and furniture as well as construction in progress. The investment does not include governmental infrastructure assets acquired prior to the fiscal year ended September 30, 2004, as GASB 34 does not require Phase III governments to report infrastructure retroactively. The total increase in the Town's investment in net capital assets for the current fiscal year was 24.0 percent (a 22.0 percent for governmental activities and a 2.0 percent increase for business-type activities).

Major capital asset events during the current fiscal year in the governmental activities included:

- Capitalization of street paving and improvements projects at a total cost of \$1,722,572.
- Vehicle acquisitions in the police department totaled \$73,139. The equipment acquisitions in this department including the advanced taser equipment totaled \$38,928.

- Vehicle acquisition in the public works department totaled \$26,806.
- Acquisitions in the general government of the complete digital video system and computers totaled \$30,685, and \$9,940, respectively.
- Playground and other equipment acquisitions in the recreation department totaled \$32,119.

Additionally, substantial amounts of old and fully depreciated assets were disposed of during the year and were written off as of year end.

Major capital asset events of the business-type activities included:

- Costs in the storm water utility fund of \$265,728 for the improvements to the storm water system performed in conjunction with the streets improvements project.

TOWN OF SURFSIDE'S CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Capital Assets:						
Land	\$1,461,229	\$1,461,229	\$ -	\$ -	\$ 1,461,229	\$ 1,461,229
Construction in progress	208,531	208,531	-	-	208,531	208,531
Buildings	3,155,259	3,245,959	-	-	3,155,259	3,245,959
Improvements other than buildings	205,331	217,044	718,313	500,127	923,644	717,171
Furniture and equipment	1,298,992	1,267,993	203,634	278,131	1,501,626	1,546,124
Infrastructure	<u>1,874,838</u>	<u>182,404</u>	<u>-</u>	<u>-</u>	<u>1,874,838</u>	<u>182,404</u>
Total	<u>\$8,204,180</u>	<u>\$6,583,160</u>	<u>\$921,947</u>	<u>\$778,258</u>	<u>\$9,126,127</u>	<u>\$7,361,418</u>

Additional information on the Town of Surfside's capital assets can be found in Note 5 on page 47 of this report.

Long-term Liabilities

The Town of Surfside's only long-term liabilities consist of compensated absences payable to the Town's employees for earned but unused vacation and sick benefits, which are limited to certain maximums. The balances as of September 30, 2006, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Payable Within One Year</u>
Governmental Activities	<u>\$340,542</u>	<u>\$229,538</u>	<u>\$181,086</u>	<u>\$388,994</u>	<u>\$149,221</u>
Business-type Activities	<u>\$ 54,903</u>	<u>\$ 44,020</u>	<u>\$ 29,286</u>	<u>\$ 69,637</u>	<u>\$ 18,159</u>

Additional information of the Town of Surfside's long-term debt (compensated absences) can be found in Note 1(j) on page 41 and Note 8 on page 49 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town of Surfside's property values continue on a rising trend. Renovations of family dwellings are expected to continue, and condominium construction and improvement projects are in the progress in the oceanfront area.

The Town's current millage rate of 5.603 had remained constant for the past fifteen years. Because of the increasing valuations of Town property, and the attendant increase in property taxes, the Town Commission reduced this millage rate to 5.60 for the year ending September 30, 2007.

The economic condition for the Town during the past year was good, and the outlook for the future is positive. The occupancy rate for the commercial district is at one-hundred percent with no significant decline anticipated in the foreseeable future.

For business-type and certain governmental activities (construction services and recreational programs), the user pays a related fee or charge associated with the services.

Water and sewer rates; sanitation fees; and stormwater fees have remained stable.

During the fiscal year ending September 30, 2007, the Town will be considering the following programs/projects.

- The Town is proceeding with plans for the design and construction project known as the new Community Center, which includes the community center, aquatics facility, and library.
- Presentation workshops for decisions on potable water, storm water, and waste water systems.
- Expanding the parking facilities in the downtown area.
- Final planning for and the construction of a beach walking path.
- The tourist bureau will continue to present art festivals, conduct activities on the beach, and other community activities for the Town's residents.
- Studies regarding the installation of new storm water pump stations in conjunction with the Florida Department of Transportation (FDOT).
- Landscape architect to be engaged for a proposed landscaping project for all of the Town property.
- Evaluations of and applications for additional grants and additional funding from the State for various Town projects.

All of the above factors were considered in preparing the Town of Surfside's budget for the fiscal year ending September 30, 2007.

Requests for Information

This financial report is designed to provide a general overview of the Town of Surfside's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Surfside, 9293 Harding Avenue, Surfside, Florida 33154.

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

Town of Surfside, Florida
Statement of Net Assets
September 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,176,721	\$ 3,257,849	\$ 13,434,570
Accounts receivable - net	224,472	84,431	308,903
Due from other governments	298,859	330,881	629,740
Unbilled revenue	-	281,555	281,555
Prepays	50,536	-	50,536
Deposits	-	-	-
Restricted assets:			
Cash and investments	-	568,067	568,067
Net pension asset	229,395	-	229,395
Land and construction in progress	1,669,760	-	1,669,760
Capital assets (net of accumulated depreciation)	<u>6,534,420</u>	<u>921,947</u>	<u>7,456,367</u>
Total assets	<u>19,184,163</u>	<u>5,444,730</u>	<u>24,628,893</u>
LIABILITIES			
Accounts payable	\$ 140,223	\$ 57,815	\$ 198,038
Accrued liabilities	1,638,416	97,481	1,735,897
Customer deposits	80,375	-	80,375
Payable from restricted assets:			
Customer deposits	-	113,685	113,685
Deferred revenue	-	20,671	20,671
Noncurrent liabilities:			
Due within one year			
Compensated absences	149,221	18,159	167,380
Due in more than one year			
Compensated absences	239,773	51,478	291,251
Long term obligations	<u>61,676</u>	<u>-</u>	<u>61,676</u>
Total liabilities	<u>2,309,684</u>	<u>359,289</u>	<u>2,668,973</u>
NET ASSETS			
Net assets invested in capital assets	8,204,180	921,947	9,126,127
Restricted for:			
Law enforcement	520,194	-	520,194
Transportation	302,228	-	302,228
Renewal and replacement	-	343,868	343,868
Unrestricted	<u>7,847,877</u>	<u>3,819,626</u>	<u>11,667,503</u>
Total net assets	<u>\$ 16,874,479</u>	<u>\$ 5,085,441</u>	<u>\$21,959,920</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida
Statement of Activities
For the Year Ended September 30, 2006

<u>Program Revenues</u>			
Functions/Programs:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 4,016,141	257,767	-
Public Safety	3,029,368	150,781	-
Physical environment	1,161,599	-	151,999
Culture and recreation	1,460,284	391,914	-
Transportation	53,941	-	198,166
Tourism development	<u>146,885</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 9,868,218</u>	<u>800,462</u>	<u>350,165</u>
Business-type activities:			
Water and Sewer	1,360,734	1,521,173	-
Municipal Parking	107,555	282,430	-
Sanitation	1,412,283	806,053	330,881
Storm Water Utility	<u>82,940</u>	<u>115,324</u>	<u>2,793</u>
Total business-type activities	<u>2,963,512</u>	<u>2,724,980</u>	<u>333,674</u>
Total primary government	<u>\$12,831,730</u>	<u>\$ 3,525,442</u>	<u>\$ 683,839</u>

General revenues:

Taxes:

Property taxes
Resort taxes
Franchise fees
Utility taxes
Communications services taxes
Intergovernmental revenue (unrestricted)
Interest earnings
Miscellaneous

Transfers

Total general revenues and transfers
Change in net assets
Net assets, beginning
Net assets, ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenues and
Changes in Net Assets

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (3,758,374)	\$ -	\$ (3,758,374)
-	(2,878,587)	-	(2,878,587)
-	(1,009,600)	-	(1,009,600)
-	(1,068,370)	-	(1,068,370)
-	144,225	-	144,225
-	(146,885)	-	(146,885)
-	(8,717,591)	-	(8,717,591)
-	-	160,439	160,439
-	-	174,875	174,875
-	-	(275,349)	(275,349)
-	-	35,177	35,177
-	-	95,142	95,142
<u>\$ -</u>	<u>\$ (8,717,591)</u>	<u>\$ 95,142</u>	<u>\$ (8,622,449)</u>
	5,846,079	-	5,846,079
	546,264	-	546,264
	470,541	-	470,541
	446,933	-	446,933
	281,143	-	281,143
	662,034	-	662,034
	563,494	151,372	714,866
	544,216	1,522	545,738
	(284,134)	284,134	-
	<u>9,076,570</u>	<u>437,028</u>	<u>9,513,598</u>
	358,979	532,170	891,149
	<u>16,515,500</u>	<u>4,553,271</u>	<u>21,068,771</u>
	<u>\$ 16,874,479</u>	<u>\$ 5,085,441</u>	<u>\$ 21,959,920</u>

Town of Surfside, Florida

Balance Sheet

Governmental Funds

September 30, 2006

	<u>General</u>	<u>Special Projects</u>	<u>Police Forfeiture</u>
ASSETS:			
Cash and cash equivalents	\$ 6,285,394	\$ 2,428,256	\$ 565,261
Receivables (net of allowance uncollectibles)	224,472	-	-
Intergovernmental receivables-unrestricted	282,352	-	-
Due from other funds	182,982	-	-
Prepaid insurance	50,536	-	-
Total assets	<u>\$ 7,025,736</u>	<u>\$ 2,428,256</u>	<u>\$ 565,261</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	131,667	-	-
Accrued liabilities	1,477,678	125,985	30,880
Due to other funds	-	25,517	14,187
Customer deposits	80,375	-	-
Total liabilities	<u>1,689,720</u>	<u>151,502</u>	<u>45,067</u>
Fund Balances			
Unreserved, designated for subsequent years' capital expenditures reported in:			
Special revenue funds	-	2,276,754	-
Unreserved, undesignated reported in:			
General fund	5,336,016		
Special revenue funds			520,194
Capital projects fund	-	-	-
Total fund balances	<u>5,336,016</u>	<u>2,276,754</u>	<u>520,194</u>
Total liabilities and fund balances	<u>\$ 7,025,736</u>	<u>\$ 2,428,256</u>	<u>\$ 565,261</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida

Nonmajor Governmental Funds	Total Governmental Funds
\$ 897,810	\$ 10,176,721
-	224,472
16,507	298,859
-	182,982
-	50,536
<u>\$ 914,317</u>	<u>\$ 10,933,570</u>
\$ 8,556	\$ 140,223
3,873	1,638,416
143,278	182,982
-	80,375
<u>155,707</u>	<u>2,041,996</u>
-	2,276,754
-	5,336,016
670,989	1,191,183
<u>87,621</u>	<u>87,621</u>
<u>758,610</u>	<u>8,891,574</u>
<u>\$ 914,317</u>	<u>\$ 10,933,570</u>

Town of Surfside, Florida
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
September 30, 2006

Fund Balances - total governmental funds		\$8,891,574
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds:		
The cost of the capital assets is	\$10,678,215	
Accumulated depreciation is	<u>(2,474,035)</u>	
		8,204,180
Net pension asset is not a financial resource and therefore is not reported in the governmental funds		229,395
Accrued liabilities not		
Long-term liabilities, including compensated absences, that are not due and payable in the current period, are not reported in governmental funds.		(450,670)
		<hr/>
Net assets of governmental activities		<u>\$16,874,479</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	<u>General</u>	<u>Special Projects</u>	<u>Police Forfeiture</u>
REVENUES			
Property taxes	\$ 5,846,079	\$ -	\$ -
Resort taxes	376,277	-	-
Utility taxes	728,076	-	-
Franchise taxes	470,541	-	-
Licenses and permits	256,007	-	-
Fines and forfeitures	152,541	-	4,000
Intergovernmental	810,032	-	-
Charges for services	137,153	-	-
Interest earnings	412,754	108,557	19,935
Miscellaneous	<u>541,022</u>	<u>-</u>	<u>-</u>
Total revenues	<u>9,730,482</u>	<u>108,557</u>	<u>23,935</u>
EXPENDITURES			
Current:			
General government	3,999,656	151,933	-
Public safety	2,852,474	-	18,520
Public works	869,936	-	-
Culture and Recreation	1,127,950	-	-
Capital outlay	<u>1,768,559</u>	<u>-</u>	<u>34,547</u>
Total expenditures	<u>10,618,575</u>	<u>151,933</u>	<u>53,067</u>
Excess of revenues over (under) expenditures	<u>(888,093)</u>	<u>(43,376)</u>	<u>(29,132)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(284,134)</u>	<u>-</u>	<u>-</u>
Total other financial sources (uses)	<u>(284,134)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,172,227)	(43,376)	(29,132)
Fund balances - beginning	<u>6,508,243</u>	<u>2,320,130</u>	<u>549,326</u>
Fund balances - ending	<u>\$ 5,336,016</u>	<u>\$ 2,276,754</u>	<u>\$ 520,194</u>

The notes to the financial statements are an integral part of this statement

Town of Surfside, Florida

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,846,079
169,987	546,264
-	728,076
-	470,541
-	256,007
214	156,755
198,166	1,008,198
254,384	391,537
22,248	563,494
<u>3,357</u>	<u>544,379</u>
<u>648,356</u>	<u>10,511,330</u>
404,505	4,556,094
-	2,870,994
-	869,936
-	1,127,950
<u>176,596</u>	<u>1,979,702</u>
<u>581,101</u>	<u>11,404,676</u>
<u>67,255</u>	<u>(893,346)</u>
-	-
<u>-</u>	<u>(284,134)</u>
<u>-</u>	<u>(284,134)</u>
67,255	(1,177,480)
<u>691,355</u>	<u>10,069,054</u>
<u>\$ 758,610</u>	<u>\$ 8,891,574</u>

Town of Surfside, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the year ended September 30, 2006

Net change in fund balances - total governmental funds \$ (1,177,480)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as
expenditures; however, in the statement of
activities the cost of those assets is
depreciated over their estimated useful lives.

Expenditures for capital assets	\$1,979,702	
Current year depreciation expense	<u>(358,683)</u>	
		1,621,019

Increase in net pension asset		25,566
-------------------------------	--	--------

Increase in long term debt, including compensated absences and other, not payable in the current period and, therefore, are not reported in the governmental funds.		(110,126)
		<hr/>

Change in net assets of governmental activities		<u>\$ 358,979</u>
---	--	-------------------

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water and Sewer</u>	<u>Municipal Parking</u>	<u>Sanitation</u>	<u>Nonmajor Storm Water Utility</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,151,511	\$1,849,113	\$ 6,274	\$ 250,951
Accounts receivable, net	54,066	-	28,177	2,188
Due from other governments	-	-	330,881	-
Unbilled revenue	<u>262,293</u>	<u>-</u>	<u>-</u>	<u>19,262</u>
Total current asset	<u>1,467,870</u>	<u>1,849,113</u>	<u>365,332</u>	<u>272,401</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	<u>568,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted asset	<u>568,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets:				
System and other improvements	1,273,251	729,279	-	265,726
Equipment	<u>126,923</u>	<u>101,359</u>	<u>343,512</u>	<u>-</u>
	1,400,174	830,638	343,512	265,726
Less accumulated depreciation	<u>(1,113,651)</u>	<u>(612,572)</u>	<u>(185,237)</u>	<u>(6,643)</u>
Total capital assets (net of accumulated depreciation)	<u>286,523</u>	<u>218,066</u>	<u>158,275</u>	<u>259,083</u>
Total noncurrent assets	<u>286,523</u>	<u>218,066</u>	<u>158,275</u>	<u>259,083</u>
Total assets	<u>\$ 2,322,460</u>	<u>\$ 2,067,179</u>	<u>\$ 523,607</u>	<u>\$ 531,484</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 42,742	\$ 809	\$ 5,026	\$ 9,238
Accrued liabilities	44,782	6,866	45,164	669
Compensated absences	12,913	444	4,588	214
Deferred revenue	<u>11,680</u>	<u>-</u>	<u>8,991</u>	<u>-</u>
Total current liabilities	<u>112,117</u>	<u>8,119</u>	<u>63,769</u>	<u>10,121</u>
Noncurrent liabilities				
Payable from restricted assets:				
Customer deposits	113,685	-	-	-
Compensated absences	<u>10,902</u>	<u>977</u>	<u>39,599</u>	<u>-</u>
Total noncurrent liabilities	<u>124,587</u>	<u>977</u>	<u>39,599</u>	<u>-</u>
Total liabilities	<u>236,704</u>	<u>9,096</u>	<u>103,368</u>	<u>10,121</u>
NET ASSETS				
Net assets invested in capital assets	286,523	218,066	158,275	259,083
Restricted for renewal and replacement	343,868	-	-	-
Unrestricted	<u>1,455,365</u>	<u>1,840,017</u>	<u>261,964</u>	<u>262,280</u>
Total net assets	<u>\$ 2,085,756</u>	<u>\$ 2,058,083</u>	<u>\$ 420,239</u>	<u>\$ 521,363</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida

Totals

\$ 3,257,849
84,431
330,881
281,555

3,954,716

568,067

568,067

2,268,256

571,794

2,840,050

(1,918,103)

921,947

921,947

\$ 5,444,730

57,815

97,481

18,159

20,671

194,126

113,685

51,478

165,163

359,289

921,947

343,868

3,819,626

\$ 5,085,441

Town of Surfside, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

Business-type Activities - Enterprise Funds

	Water and Sewer	Municipal Parking	Sanitation	Nonmajor Storm Water Utility
Operating revenues:				
Charges for services:				
Water sales	\$ 681,703	\$ -	\$ -	\$ -
Sewer charges	836,470	-	-	-
Parking fees	-	282,430	-	-
Garbage charges	-	-	701,476	-
Recycling fees	-	-	77,257	-
Drainage fees	-	-	-	115,324
Miscellaneous	3,000	-	27,320	-
Total operating revenues	<u>1,521,173</u>	<u>282,430</u>	<u>806,053</u>	<u>115,324</u>
Operating expenses:				
Personal services	228,646	60,140	527,254	34,717
Administrative	28,334	37,910	135,866	41,580
Water system	513,096	-	-	-
Sewer system	526,385	-	-	-
Solid waste system	-	-	358,098	-
Hurricane debris removal	-	-	341,992	-
Depreciation	64,273	9,505	49,073	6,643
	<u>1,360,734</u>	<u>107,555</u>	<u>1,412,283</u>	<u>82,940</u>
Operating income (loss)	<u>160,439</u>	<u>174,875</u>	<u>(606,230)</u>	<u>32,384</u>
Nonoperating revenues:				
Intergovernmental	-	-	330,881	2,793
Interest earnings	65,636	70,810	460	14,466
Total nonoperating revenues	<u>65,636</u>	<u>70,810</u>	<u>331,341</u>	<u>17,259</u>
Income before contributions and transfers	<u>226,075</u>	<u>245,685</u>	<u>(274,889)</u>	<u>49,643</u>
Capital contributions:				
System development fees	1,522	-	-	-
Transfers in	-	-	284,134	-
Transfers out	-	-	-	-
	<u>1,522</u>	<u>-</u>	<u>284,134</u>	<u>-</u>
Change in assets	227,597	245,685	9,245	49,643
Total net assets - beginning	<u>1,858,159</u>	<u>1,812,398</u>	<u>410,994</u>	<u>471,720</u>
Total net assets - ending	<u>\$ 2,085,756</u>	<u>\$ 2,058,083</u>	<u>\$ 420,239</u>	<u>\$ 521,363</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida

Totals

\$ 681,703
836,470
282,430
701,476
77,257
115,324
30,320
2,724,980

850,757
243,690
513,096
526,385
358,098
341,992
129,494
2,963,512
(238,532)

333,674
151,372
485,046

246,514

1,522
284,134
-
285,656
532,170
4,553,271
\$ 5,085,441

Town of Surfside, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Municipal Parking	Sanitation	Nonmajor Storm Water Utility
Cash flows from operating activities				
Receipts from customers	\$ 1,474,685	\$ 282,430	\$ 786,760	\$ 115,245
Payments to suppliers	(1,151,867)	(36,918)	(838,637)	(33,409)
Payments to employees	(228,984)	(60,790)	(526,659)	(34,803)
Receipts for interfund services	<u>43,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>136,910</u>	<u>184,722</u>	<u>(578,536)</u>	<u>47,033</u>
Cash flow from noncapital financial activities				
Transfers in - from other funds	-	-	284,134	-
Transfers out - to other funds	-	-	-	-
Subsidy from the State DOT	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,793</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>284,134</u>	<u>2,793</u>
Cash flow from capital and related financing activities				
Capital contributions	1,522	-	-	-
Acquisition of capital assets	<u>(7,456)</u>	<u>-</u>	<u>-</u>	<u>(265,726)</u>
Net cash provided by (used for) capital and related financing activities	<u>(5,934)</u>	<u>-</u>	<u>-</u>	<u>(265,726)</u>
Cash flow from investing activities				
Interest on investments	<u>65,636</u>	<u>70,810</u>	<u>460</u>	<u>14,466</u>
Net cash provided by investing activities	<u>65,636</u>	<u>70,810</u>	<u>460</u>	<u>14,466</u>
Net increase (decrease) in cash and cash equivalents	196,612	255,532	(293,942)	(201,434)
Beginning cash and cash equivalents	<u>1,522,966</u>	<u>1,593,581</u>	<u>300,216</u>	<u>452,385</u>
Ending cash and cash equivalents	<u>\$ 1,719,578</u>	<u>\$ 1,849,113</u>	<u>\$ 6,274</u>	<u>\$ 250,951</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside

Totals

\$ 2,659,120
(2,060,831)
(851,236)
43,076

(209,871)

284,134

2,793

286,927

1,522
(273,182)

(271,660)

151,372

151,372

(43,232)

3,869,148
\$ 3,825,916

(Continued next page)

Town of Surfside, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water and Sewer</u>	<u>Municipal Parking</u>	<u>Sanitation</u>	<u>Nonmajor Storm Water Utility</u>
Reconciliation of operating income provided by (used in) operating activities				
Operating income	<u>\$ 160,439</u>	<u>\$ 174,875</u>	<u>\$ (606,230)</u>	<u>\$ 32,384</u>
Adjustment to reconcile operating income to net cash provided by (used by) operating activities				
Depreciation and amortization	64,271	9,505	49,073	6,643
(Increase) decrease in:				
Accounts receivable	(7,253)	-	(15,423)	(135)
Unbilled revenue	11,142	-	-	56
Increase (decrease in:				
Accounts payable	(76,334)	(263)	(22,027)	8,313
Accrued expenses	(12,427)	557	9,499	(99)
Deferred revenue	(2,826)	-	(3,870)	-
Compensated absences	4,373	48	10,442	(129)
Customer deposits	(4,475)	-	-	-
Total adjustments	<u>(23,529)</u>	<u>9,847</u>	<u>(27,694)</u>	<u>14,649</u>
Net cash provided by activities	<u>\$ 136,910</u>	<u>\$ 184,722</u>	<u>\$ (578,536)</u>	<u>\$ 47,033</u>
Reconciliation of cash and cash equivalents to Balance Sheet				
Equity in pooled cash and in current assets	\$ 1,151,511	\$ 1,849,113	\$ 6,274	\$ 250,951
Restricted cash and investments	<u>568,067</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 1,719,578</u>	<u>\$ 1,849,113</u>	<u>\$ 6,274</u>	<u>\$ 250,951</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida

Totals

\$ (238,532)

129,492

(22,811)

11,198

(90,311)

(2,470)

(6,696)

14,734

(4,475)

(28,661)

\$ (209,871)

\$ 3,257,849

568,067

\$ 3,825,916

(Continued from prior page)

Town of Surfside, Florida
Statement of Fiduciary Assets
Fiduciary Fund
September 30, 2006

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 507,345
Receivables -	
Plan members' contributions	19,198
Interest	29,361
Prepaid insurance	<u>1,230</u>
	<u>49,789</u>
Investments, at fair value	
U.S. Government obligations	592,391
U.S. Government agency bonds	615,419
Mortgage backed securities	787,135
Corporate bonds	712,920
Common stocks	<u>7,086,821</u>
	<u>9,794,686</u>
Total Assets	<u>10,351,820</u>
LIABILITIES	
Accounts payable	8,032
Refunds payable	<u>8,222</u>
Total liabilities	<u>16,254</u>
NET ASSETS	
Held in Trust for Pension Benefits	<u>\$ 10,335,566</u>

The notes to the financial statements are an integral part of this statement.

Town of Surfside, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended September 30, 2006

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer's contributions	\$ 230,812
Plan members' contributions	235,140
Buyback of prior service	<u>21,764</u>
Total contributions	<u>487,716</u>
Investment earnings:	
Interest	207,376
Dividends	107,111
Net increase in fair value of investments	<u>411,645</u>
	726,132
Less investment expenses	<u>51,691</u>
Net investment earnings	<u>674,441</u>
Total additions	<u>1,162,157</u>
DEDUCTIONS	
Benefits	447,086
Refunds	28,715
Administrative expenses	<u>53,323</u>
Total deductions	<u>529,124</u>
Net increase	633,033
Net assets in trust for pension benefits	
Beginning of year	<u>9,702,533</u>
End of year	<u><u>\$10,335,566</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Surfside was incorporated on May 19, 1935. The Town of Surfside's Charter was adopted under the provisions of Chapter 27914, Laws of Florida, 1951. The Town is governed by an elected five-member Board of Commissioners. The Town provides services to its approximately 5,600 residents in many areas including general government, public safety (police), physical environment, solid waste collection, transportation (maintenance of roads and streets), culture and recreation, tourism development, water and sewer utilities, and general administrative services.

The summary of the Town of Surfside, Florida's (the "Town") Significant Accounting Policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Town of Surfside, Florida (the Town) have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2004, the Town adopted the new accounting and financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which represents a very significant change in the financial reporting model used by state and local governments. As part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) In accordance with Statement No. 34, the Town has the option, and is not required, to retroactively report infrastructure. The Town has elected to report infrastructure on a prospective basis only. The following notes to the basic financial statements are an integral part of the Town's financial statements.

a. Financial Reporting Entity

In accordance with accounting principles generally accepted in the United States, these financial statements present the Town and its organizations for which the Town is considered financially accountable. Financial accountability includes 1) the appointment of a voting majority of the organization's governing body, 2) the ability of the primary government to impose its will on the organization, or 3) if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the primary government, should be included in its reporting entity. The Town is not associated with entities that meet the criteria of a component unit.

b. New Accounting Standards Adopted

The Town has adopted GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. The statistical section of the Comprehensive Annual Financial Report presents detailed information, typically in ten-year trends that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information to assess the economic condition of a government. The statement is intended to improve the

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New Accounting Standards Adopted (continued)

understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The five categories of information now required include: financial trends information, revenue capacity information, debt capacity information, demographic and economic information and operating information.

The Town also has adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. The objective of this statement is to enhance the usefulness and comparability of net asset information reported by state and local governments by clarifying the meaning of the phrase *legally enforceable* as it applies to restrictions imposed on net asset use by enabling legislation and by specifying the accounting and financial reporting requirements for those restricted net assets.

The Town also has adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and GASB Statement No. 47, *Accounting for Termination Benefits*. The adoption of these standards did not have an impact on the Town's financial statements for the fiscal year ended September 30, 2006.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues include* 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Government-Wide and Fund Financial Statements (continued)

as other governmental funds. The Town has four nonmajor governmental funds (the Resort Tax Fund - Tourist Board, the Library Fund, the Transportation Surtax Fund, and the Capital Projects Fund). The Town has only one nonmajor proprietary fund (the Storm Water Utility Fund).

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required by accrual accounting, except for debt service expenditures and expenditures related to compensated absences, which are recorded when payment is due.

Property taxes and other taxes (such as franchise taxes, utilities taxes, and sales tax), charges for services, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The reporting practices of the Proprietary Fund Types closely parallel comparable commercial financial reporting, which recognize revenue when earned and expenses when incurred (the accrual basis) including, in the case of the Enterprise Fund, depreciation on its exhaustible fixed assets. Earned, but unbilled service receivables have been accrued as revenue in the Enterprise Funds.

The Town reports the following major governmental funds:
The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **special projects fund** accounts for the special projects of the Town, mainly capital, which have received the approval of the Town Commission.

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. **Measurement Focus, Basis of Accounting and Financial Statement Presentation** (continued)

The *police forfeiture fund* accounts for the proceeds of police forfeitures and confiscations, and expenditures, which are restricted to approved functions and activities.

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses. The Town reports the following major proprietary funds:

The *water and sewer fund* is used to account for water and sewer utility operations, which are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *municipal parking fund* accounts for all parking revenues and expenses.

The *sanitation fund* is used to account for the activities of the Town residential and commercial refuse, recycling and waste collection system.

The nonmajor proprietary fund of the Town is as follows:

The *storm water utility fund* is used to account for the stormwater utility fees, which are collected to construct, operate, and maintain a stormwater management system.

Additionally, the government reports the following fund types:

The *pension trust fund* is used to account for assets held by the Retirement Plan for Employees of the Town of Surfside which accumulates resources for retirement and disability benefit payments to qualifying Town employees.

The private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. The general revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

e. Deposits and Investments

The Town utilizes a consolidated cash pool to account for cash and investments of all Town funds other than those which are required to be physically segregated. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield which are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for Town receipts and disbursements with a separate checking account for payroll disbursements.

For the purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash and short-term investments with original maturities of three months or less from the date of acquisition. The Town's cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and investments with the Local Government Surplus Fund administered by the State Board of Administration.

The Town's investment policy follows the requirements of Florida Statutes Chapter 218.415, and attempts to promote, in order of priority, safety of principal, adequate liquidity, and maximization of total return. Investments in the Town of Surfside's local government surplus funds are governed by the provisions of Florida Statutes Section 218.415. Investments in the Town's retirement plan are governed by the Plan's investment policy. All investments of the Town, except the State Board Investment Pool, are recorded at fair value. Investments in the State Board Investment Pool are stated at the fair value of its position in the pool, which is the same as the value of its pool shares. Income is recorded in the respective funds as it is earned.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

g. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

h. Restricted Assets

Certain resources set aside for the repayment of certain obligations are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited. Additionally, the Town reports amounts paid by customers for water and sewer deposits as restricted assets.

i. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and other similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year, except for the Library Fund, which records the purchases of all books as assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town is depreciated using the straight-line method over the estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-50
Improvements other than buildings	10-30
Machinery and equipment	5-10
Infrastructure	15-30

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Capital Assets

As required by GASB Statement No. 34, the Town reports new infrastructure assets and the depreciation on such assets effective in the year of acquisition.

j. Compensated Absences

The Town's policy is to permit employees to accumulate earned but unused sick as well as vacation pay benefits, limited to certain maximums. All vacation and sick pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

k. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net assets. Loan issuance costs, are deferred and amortized over the life of the loans using the effective interest method. Loan issuance costs are reported as deferred charges and amortized over the life of the related debt.

l. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside third-parties for use for specific purposes. Designations of fund balances represent tentative management plans that are subject to change.

Invested in Capital Assets (net of accumulated depreciation and related debt) - is intended to reflect the portion of net assets which are associated with capital assets, less any outstanding capital asset debt.

Restricted Net Assets - have third-party statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Assets - have no third party limitations on their use. While Town Management may have categorized and segmented portions for various purposes, the Town Commission has the unrestricted authority to revisit or alter these managerial decisions.

m. Restricted Net Assets

The total restricted net assets listed on the Statement of Net Assets is \$1,166,290. This entire amount is considered restricted by enabling legislation. Of this amount \$822,422 is reported in the governmental activities. \$343,868 is reported in the business-type activities for renewal and replacement of the Town's utility system.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Restricted Net Assets (continued)

Of the \$822,422 reported in the governmental activities \$520,194, which is restricted by State and Federal legislation for approved crime-fighting expenditures as defined by those agencies. \$302,228 relates to amounts restricted in accordance with the Transit System Surtax to fund transportation/transit expenses.

n. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from management's estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

A reconciliation of the balance sheet of the governmental funds to the statement of net assets is presented following the balance sheet of the governmental funds. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Another element is that long-term assets are not available in the current period, and, therefore, are not reported in the funds.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

Following the statement of revenues, expenditures and changes in fund balances in the governmental funds is the reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation (FDIC), all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another bank institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

As of September 30, 2006, the Town's deposits in a qualified public depository were \$1,678,682 with bank balances of \$2,046,105. Deposits whose value exceeds the limits of federal depository insurance are collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under this Act, financial institutions which are qualified as public depositories place with the State Board of Administration ("SBA"), securities which have a market value equal to 50 percent of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. It is the Town's practice to ensure that all its public deposits are maintained with a qualified depository, and as a result, all Town depositories at fiscal year end were designated as qualified public depositories.

The Town's Investment Policy authorizes Town officials to invest in those instruments authorized by the Florida Statutes and the Town's Investment Policy, including the certificates of deposit and money market funds (placed with "qualified public depositories"); U.S. Treasury and Government Agency securities; corporate bonds; commercial paper; mutual funds; repurchase agreements; and the Local Government Surplus Trust Fund administered by the Florida State Board of Administration, Local Government Surplus Funds Trust Investment Pool (LGSF).

The Town invested funds throughout the year in the LGSF, which is not Securities and Exchange Commission ("SEC") registered, but which qualifies as an SEC 2a7 like pool. The Town's investment in the LGSF as of September 30, 2006, represented less than .06 percent of the total investment assets of the LGSF.

The value of the Town's position in the LGSF is the same as the value of the pool shares and is recorded at amortized cost.

The LGSF has adopted operating procedures consistent with the requirements of a 2a-7 like pool. In these procedures, it is required that any deviation from the constraints listed for 2a-7 like pools must be reported to the Investment Oversight Committee at the State Board of Administration. Additionally, all pool investments and transactions are subject to audit by the Office of the Auditor General for the State of Florida.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

While the LGSF has statutory authority for a wide range of derivative instruments, the LGSF did not hold any investments at September 30, 2006, that could be classified as "derivative" investments under GASB TB 2003-1. Throughout the year and at year end the LGSF contained certain floating rate notes, which were indexed based on the prime rate and/or one and three month LIBOR rate. As of September 30, 2006, these investments represented approximately 52% of the total investment portfolio of the LGSF.

The LGSF is not required to make many of the disclosures required by GASB 40 since it is an 2a-7 pool, which is similar to money market funds where shares are owned in the fund rather than in the actual underlying investments. The LGSF does not carry a credit rating; however, for informational purposes the weighted average days to maturity for this external pool as of year end was 32 days. There is no exposure to foreign currency risk, because this external pool is buying and selling shares in United States dollars. Additionally, this pool did not hold any investments in currency other than United States dollars during the entire fiscal year.

Government-wide Statement of Net Assets:

Equity in pooled cash and cash equivalents	\$13,434,570
Cash and cash equivalents - restricted	568,067

Statement of Fiduciary Net Assets:

Cash and investments with Trustee	<u>10,302,031</u>
	<u>\$24,304,668</u>

A reconciliation of cash and cash equivalents and investments as shown on the statement of net assets and fiduciary net assets is as follows:

Carrying amount of deposits and petty cash	\$ 1,679,902
Carrying amount of investment Local Government	
Investment Pool (LGSF)	12,322,735
Cash and investments with Trustee	<u>10,302,031</u>
	<u>\$24,304,668</u>

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

As of September 30, 2006, the Pension Trust Fund had the following debt investments. The types of investments owned during the year were the same types owned as of year end:

<u>Investment type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
U.S. Government Securities	\$ 592,391	1.04
Government Agency Bonds	615,419	.90
Mortgage back securities	787,135	1.48
Corporate Bonds	<u>712,920</u>	2.59
Total fair value	<u>\$ 2,707,865</u>	6.01
U.S. Treasury Portfolio - (money market account)	507,345	
Common stocks	<u>7,086,821</u>	
	<u>7,594,166</u>	
Total fair value investments	<u>\$10,302,031</u>	

Interest Rate Risk. In accordance with its investment policy, the Plan manages its exposure to declines in the fair market value of its securities through a conservative approach of managing portfolio exposure to duration, maturity and sector relative to market indices.

Credit risk. State law limits investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations (NRSROS). It is the government's policy to limit its investments in these investment types to the top rating issued by the NRSROS. As of September 30, 2006, the Plan's investments in the U.S. Treasury Portfolio was AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The Investment Policy of the Plan states it is permitted to invest in corporate bonds with an investment quality rating with the three top rating classifications by at least two major rating services (Standards & Pool, Moody's or Fitch). The corporate bonds held by the Plan were in the top three rating classifications. The mortgage securities were ranked AAA and Aaa by Standard & Poor's, and Moody's, respectively.

Concentration of credit risk. The government's investment policy does not allow for an investment in any one issuer, other than U.S. Government securities, that is in excess of five percent of the Plan's total net assets. No investment in any one organization, other than U.S. Treasury obligations and U.S. Government Agency Bonds can represent more than five percent of the net assets available for benefits.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk. - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the securities, whether fixed or equities are held in the name of the Plan.

Net appreciation (depreciation) in fair value of the investments include the current year realized gains and losses, which are calculated independently of calculation of the appreciation (depreciation) in net assets. The net appreciation (depreciation) in fair value of the investments as of September 30, 2006, in accordance with GASB 25, is as follows:

Investments:	
U.S. Government Securities	\$ 207
Government agency bonds	(16,667)
Mortgage backed securities	(22,228)
Corporate bonds	(36,000)
Common stocks	486,333
	<u>\$ 411,645</u>

NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	<u>General</u>	<u>Funds</u>	Nonmajor Governmental <u>Sewer</u>	Water/ <u>Sanitation</u>	Nonmajor Business- <u>Type</u>	<u>Total</u>
Property taxes	\$ 202,651	\$ -	\$ -	\$ -	\$ -	\$ 202,651
Intergovernmental	79,701	16,507	-	330,881	-	427,089
Other	224,472	-	-	-	-	224,472
Accounts-billed	-	-	58,066	37,177	2,188	97,431
Accounts-unbilled	-	-	262,293	-	19,262	281,555
Gross receivables	506,824	16,507	320,359	368,058	21,450	1,233,198
Less allowance for uncollectibles	-	-	4,000	9,000	-	13,000
Net total receivables	<u>\$ 506,823</u>	<u>\$ 16,507</u>	<u>\$ 316,359</u>	<u>\$ 359,058</u>	<u>\$ 21,450</u>	<u>\$1,220,198</u>

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006, was as follows:

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 1,461,229	\$ -	\$ -	\$ 1,461,229
Construction in progress	208,531	-	-	208,531
Capital assets being depreciated:				
Buildings	4,359,186	-	44,938	4,314,248
Improvements other than buildings	234,623	-	-	234,623
Furniture, fixtures, & equipment	2,769,260	257,130	478,073	2,548,317
Infrastructure	<u>188,694</u>	<u>1,722,572</u>	<u>-</u>	<u>1,911,266</u>
	<u>9,221,523</u>	<u>1,979,702</u>	<u>523,011</u>	<u>10,678,214</u>
Less accumulated depreciation for:				
Buildings	1,113,227	90,700	44,938	1,158,989
Improvements other than buildings	17,579	11,713	-	29,292
Furniture, fixtures & equipment	1,501,267	226,131	478,073	1,249,325
Infrastructure	<u>6,290</u>	<u>30,138</u>	<u>-</u>	<u>36,428</u>
	<u>2,638,363</u>	<u>358,682</u>	<u>523,011</u>	<u>2,474,034</u>
Governmental activities capital assets, net	<u>\$6,583,160</u>	<u>\$1,621,020</u>	<u>\$ -</u>	<u>\$8,204,180</u>
<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Improvements other than buildings	\$ 2,307,534	\$ 265,728	\$ 2,469	\$ 2,570,793
Equipment	<u>681,528</u>	<u>7,455</u>	<u>117,190</u>	<u>571,793</u>
	<u>2,989,062</u>	<u>273,183</u>	<u>119,689</u>	<u>3,142,586</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,807,407	47,542	2,469	1,852,480
Equipment	<u>403,397</u>	<u>81,952</u>	<u>117,190</u>	<u>368,159</u>
	<u>2,210,804</u>	<u>129,494</u>	<u>119,659</u>	<u>2,220,639</u>
Business-type activities capital assets, net	<u>\$ 778,258</u>	<u>\$ 143,689</u>	<u>\$ -</u>	<u>\$ 921,947</u>
Governmental activities:				
General government			\$ 56,404	
Public safety			93,094	
Physical environment			105,274	
Recreation			26,365	
Tourism			2,866	
Library			67,446	
Transportation			<u>7,233</u>	
Total depreciation expense - governmental activities			<u>\$ 358,682</u>	
Business-type activities:				
Water and Sewer			\$ 64,273	
Municipal parking			9,505	
Sanitation			49,073	
Storm Water Utility			<u>6,643</u>	
Total depreciation expense - business-type activities			<u>\$ 129,494</u>	

NOTE 6 - PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments, also, are designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10.0 mills. The millage rate assessed by the Town for the fiscal year ended September 30, 2006, was 5.603. The tax levy of the Town is established by the Town

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 6 - PROPERTY TAXES (continued)

Commission prior to October 1 each year, and the County Property Appraiser incorporates the millage into the total tax levy, which includes Miami-Dade County, Miami-Dade County School Board and special taxing districts.

All property is reassessed according to its fair market value as of January 1 each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of taxes due and Miami-Dade County collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which the taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of the State of Florida. As of September 30, 2006, there were no material delinquent taxes. Tax collections for the year ended September 30, 2006, were approximately 98.0% of the total gross tax levy.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The composition of the interfund balances as of September 30, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Projects Fund	\$ 25,517
General Fund	Police Forfeiture Fund	14,187
General Fund	Nonmajor governmental Fund	<u>143,278</u>
Total		<u>\$ 182,982</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

Interfund Transfers

Interfund transfers for the year ended September 30, 2006, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	-	(284,134)
Sanitation Fund (Enterprise Fund)	<u>284,134</u>	<u>-</u>
	<u>\$ 284,134</u>	<u>\$ (284,134)</u>

The Town transferred funds from the General Fund to the Sanitation Fund to help defray operating expenses.

NOTE 8 - LONG-TERM LIABILITIES

Compensated absences

The following indicates the changes in long-term liabilities for the year ended September 30, 2006:

	Beginning			Ending	Payable Within
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities:					
Compensated absences	<u>\$340,542</u>	<u>\$229,538</u>	<u>\$181,086</u>	<u>\$388,994</u>	<u>\$149,221</u>
Business-type activities:					
Compensated absences	<u>\$ 54,903</u>	<u>\$ 44,020</u>	<u>\$ 29,286</u>	<u>\$ 69,637</u>	<u>\$18,159</u>

The general fund has typically been used in prior years to liquidate the liability for the compensated absences of the governmental activities.

NOTE 9 - EMPLOYEE RETIREMENT PLANS

The following brief description of the Retirement Plan is provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

Plan description

The Retirement Plan is a contributory defined benefit single-employer retirement plan covering substantially all employees of the Town of Surfside. All full-time employees became members of the Plan immediately upon employment. The administration of the Plan is under the responsibility of a five-member Board of Trustees, which is subject to the ultimate authority of the Town Commission.

The Retirement Plan was established by a Town ordinance approved by the Commissioners and effective January 1, 1962. The Plan is also subject to certain provisions of Chapter 112, Florida Statutes. The benefit provisions and all other requirements, and amendments are established by Town Ordinance.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT PLANS (continued)

Financial statements for the Retirement Plan for Employees of the Town are separately issued and are available at the Town Hall location at 9293 Harding Avenue, Surfside, Florida.

Plan Membership

Membership in the Plan as of October 1, 2006, the most recent actuarial valuation, and October 1, 2005, the actuarial valuation in which the Town's contribution was computed for the fiscal year ended September 30, 2006, are as follows:

	<u>2006</u>	<u>2005</u>
Retirees, disableds, and beneficiaries		
currently receiving benefits	<u>31</u>	<u>30</u>
Terminated employees entitled to benefits		
but not yet receiving them	<u>2</u>	<u>2</u>
Current employees:		
Vested	21	22
Partially vested	11	9
Non-vested	<u>58</u>	<u>53</u>
	<u>90</u>	<u>84</u>

Summary of significant accounting policies - basis of accounting and valuation of investments

The Retirement Plan for Employees of the Town of Surfside's financial statements are prepared on the accrual basis of accounting, reflecting income when earned and contributions for the year (regardless of when received) and expenses and other obligations when incurred (regardless of when paid). Benefit payments and refunds of contributions are recorded as they become due, and payable in accordance with the terms of the Plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and payable, and the employer has made a formal commitment to provide the contributions.

The Retirement Plan investments are reported at fair value, and are managed by third-party money managers. The Retirement Plan's custodian and individual money manager price each instrument (using various third party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated value. Performance reporting, manager fees, and the retirement's asset valuation are based on the custodian's determination of value.

The net assets of the Retirement Fund are the difference between the total plan assets and the total plan liabilities, and are held in trust for pension benefits.

Both realized and unrealized gains/losses are recognized under the Net Appreciation (Depreciation) in the Fair Value of Investments.

Investment and administrative expenses of the Plan may be paid either by the Town or by the Plan. It is the policy of the Town that these expenses are to be paid by the Plan.

Funding policy

Funding of the Plan is provided by contributions from the Town and the employees. The Town's funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees,

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT PLANS (continued)

Funding policy (continued)

increase gradually over time so that sufficient assets will be available to pay benefits when due. The Town contributions to the Plan totaled \$230,812 for the year ended September 30, 2006.

Initially employees were required to contribute either 5% of their salary or after October 1, 1979, members as of that date had the irrevocable option to contribute either 5% or 7% of their compensation. Effective July 1, 1996, each member had the irrevocable option to increase his (her) contribution rate from 5% to 7% or 8% of compensation. See the section Police Officers for the funding policy and service retirement benefits and other provisions for Police Officers effective October 1, 2005.

Service Retirement Benefits

General employees may retire at the age of 62 with 15 years of creditable service, or at age 65 and the completion of ten years of creditable service. See caption Police Officers for benefit provisions.

Annual retirement benefits are as follows:

For each member who contributed 5% for the period from October 1, 1979, to January 31, 2003, 1-2/3% of the average final compensation multiplied by the number of years of creditable service.

For each member who contributed 7% of compensation from October 1, 1979, through January 31, 2003, 2% of the average final compensation multiplied by the number of years of creditable service.

For each member who contributed 5% after February 1, 2003, 2% of the average final compensation multiplied by the number of creditable service.

For each member who contributed 6% after January 31, 2003, 2.5% of average final compensation.

The benefit allowable for the general employees is 60% of the average final compensation. Average final compensation for general employees is the average of basic compensation for five years.

Police Officers

In accordance with the contract with the Police Officers the following Retirement Plan provisions, as summarized below, are effective October 1, 2005, only for certified law enforcement members:

Police Officers will contribute 8% of earnable compensation. The multiplier for the years of creditable service rendered on or after October 1, 2005 is 3%. The multiplier increased to 3-1/2% on October 1, 2006.

At multipliers of 3% and 3-1/2%, the maximum total benefit payable is 75% and 90%, respectively.

The average final compensation will be computed using the employee's highest three years of basic compensation.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT PLANS (continued)

Police Officers (continued)

Normal retirement will be upon completion of twenty years of creditable service and the attainment of the age of fifty-two or upon the completion of twenty-five years of creditable service.

A five-year Deferred Retirement Option Program (DROP) Plan was adopted.

Vested Benefits

The Plan provides a graded vesting whereby a 50% vested interest in the accrued benefits is earned upon completion of five years service. The vesting rate will increase by 10% each year thereafter until 100% vesting is attained. If separated from service, such vested member will be entitled to a service retirement annuity commencing at age 65, provided such member has not applied for and received a refund of their contributions to the Plan. A member who becomes eligible for early or normal retirement is automatically 100% vested regardless of the length of service.

Early Retirement

A member may retire at age 55 with 15 years of service, or upon the completion of 20 years of service regardless of age. Benefits begin at age 62 or at age 55 at a reduced rate.

Termination of Employment

If a member terminates employment prior to attaining vested rights, the member receives a refund of his (her) accumulated contributions plus interest of 4% per annum on such contributions made on or after January 1, 1979. If a member terminates employment after age 55 with ten years' service, the member may elect to leave his contributions in the Plan and receive benefits commencing at age 65.

Disability Benefits

Service connected - Any member who becomes totally disabled as a direct result of performance of service of service to the Town shall receive 75% (if physical injury was incurred in the line of duty) or 45% (if not a direct result of physical injury in the line of duty) of the rate of pay in effect on the date of the disability, less Social Security benefits, until death, recovery, or normal retirement of the member. Payments commence when Social Security disability benefits begin.

Non-Service Connected - The member receives the normal retirement benefit accrued to date of disability and terminating upon the death, recovery, or normal retirement of the member.

Post-Employment Health Benefits

The Town's Retirement Plan does not administer any post-employment health benefits.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT PLANS (continued)

Death Benefits

If death occurs prior to normal retirement eligibility, the members' contributions plus interest are refunded to the member's beneficiary or estate. After retirement, any remaining member contributions are refunded; or the optional survivor's benefits option applies if this option is elected after reaching normal retirement eligibility, and prior to retirement.

Cost of Living Increase

The Plan provides for a 1.5% automatic annual cost of living benefit increase for all current and future retirees, disableds, beneficiaries and vested terminated members.

Termination of Plan

Upon termination of the Plan for any reason, the Pension Trust Fund shall be apportioned and distributed to participants in accordance with the provisions of the Plan. Those provisions include giving a priority right to pensioners to receive the present value of their pension. The active members are to receive a pro rata share of the remainder.

Investments

The investment activity of the Plan is directed by an investment advisory firm. The Investment Manager is empowered to invest in cash or cash equivalents, to which quality and minimum risk guidelines apply. The Investment Manager may also invest in U.S. government obligations; certificates of deposit with major money center banks; commercial paper rated A-1 or P-1 by Standard and Poor's or Moody's, respectively; A-rated fixed income securities; and equity securities listed on one of the Nation's major stock exchanges. The aggregate investment in any issuing company shall not exceed five percent of the outstanding capital stock, nor shall it exceed ten percent of the fund equity assets. The portfolio is limited to a maximum of sixty-five percent of total assets at market in equity securities.

No investment in any one organization, other than U.S. Treasury obligations, represents five percent or more of the net assets available for benefits. See note 3 for the listing of the investments held by the Plan at year end.

The types of investments held during the year were substantially the same as those held at year end.

ANNUAL PENSION COST AND ACTUARIAL METHODS

The Town's annual pension cost and net pension obligation (asset) for the current year are as follows:

Annual Required contribution	\$203,274
Interest on Net Pension Asset (NPA)	(15,287)
Adjustment to ARC	<u>17,259</u>
Annual pension cost	205,246
Town contributions	<u>(230,812)</u>
Increase (decrease) in NPA	(25,566)
Net pension obligation (asset)	
(beginning of year)	<u>(203,829)</u>
(end of year)	<u><u>\$ (229,395)</u></u>

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

ANNUAL PENSION COST AND ACTUARIAL METHODS (continued)

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The APC for the last three fiscal years follows:

Three year trend information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
September 30, 2004	-0-	100%	\$(120,410)
September 30, 2005	991	10334%	(203,829)
September 30, 2006	205,246	100%	(229,395)

Additional information as of the October 1, 2005, Actuarial Valuation Report, which was used to compute the Town's pension contribution for the year ended September 30, 2006, follows:

Actuarial valuation date	October 1, 2005
Annual Pension Cost	\$205,246
Contribution rates:	
Employer	6.5%
Plan members	6.7%
Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Actuarial assumptions	
Investment rate of return*	7.5%
Projected salary increases*	6.0%
Cost of living adjustments	1.5%
*Includes inflation at	4.0%

The Town has a beginning of the year Actuarial Valuation. The Actuarial Valuation Report dated October 1, 2006, will be used to compute the Town's pension contribution for the year ending September 30, 2007.

NOTE 10 - LEASES

The General Funds rents space in the Town Recreation Center to the Surf-Bal-Bay Library, which is a Special Revenue Fund. The annual rental is \$26,000 per year. There is no formal lease agreement.

The Town leases a Snack Bar in the Recreation Center to an unrelated party. There is no formal lease agreement. The Surfside Tennis Courts are leased to unrelated parties for a percentage of the daily court fees.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 10 - LEASES (continued)

The Town has operating lease agreements for three copiers. The lease expense for the year for such copiers was \$5,595. The balance due on these leases as of September 30, 2006, was \$10,248, of which \$3,714 will be paid for the fiscal year ended September 30, 2007, and \$2,376, will be paid each year for the years ended September 30, 2008 and 2009, and \$1,782 will be paid during the fiscal year ended September 30, 2010.

Additionally, the Town leases four motorcycles for the Police department. The total lease expense for the fiscal year ended September 30, 2006, was \$12,612. The balance due as of the fiscal year ended September 30, 2006, was \$14,714, of which \$12,612 will be paid in each of the year ended September 30, 2007, and \$2,102 for the year ended September 30, 2008.

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks and losses related to torts; theft of or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other municipalities and governmental units in a public entity risk pool administered by the Florida League of Cities Public Risk Services known as the Florida Municipal Insurance Trust (FMIT). The Town pays annual premiums to the FMIT for its general liability insurance, commercial real and personal property, including electronic data processing equipment, automobile, liability, and physical damage insurance coverage.

The Town also participates in the Florida League of Cities public risk pool known as the Florida Municipal Self Insurers Fund (FMSIF) to which it pays annual premiums for its workers' compensation insurance. The agreement with these public risk pools provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for workers' compensation and liability insurance for claims in excess of \$1,000,000. All policies are issued by FMIT and FMSIF on a non-assessable basis.

The Town maintains commercial insurance for corporate fiduciary liability, flood, and windstorm coverage.

During the current fiscal year the Town, as a matter of public policy, settled prior years' litigation matters for \$1,528,918. The Town received insurance proceeds of \$508,800 related to these settlements. None of the settlements made by the Town during the prior two years exceeded the insurance coverage.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Town is a defendant in various lawsuits including personal injury claims, challenges to Town zoning Ordinances, and general liability claims. It is the opinion of Town Management, after giving consideration to its insurance coverage and Florida Statutory limitations of governmental liability, that the ultimate resolution of these matters will not have a material adverse effect on the financial position and results of operations for the year ended September 30, 2006, as presented in the accompanying financial statements. Thus, no liability for these various claims has been included in these financial statements.

TOWN OF SURFSIDE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to year end the Town settled a code enforcement case, on which the Town had enforcement liens and judgments, by negotiating the payoff of two existing mortgages totaling \$320,000 on the properties of the defendants, and returning such properties to the defendants. In return the Town received two purchase money mortgages totaling \$320,000. The defendants are required to bring the properties into full code compliance, and to pay off the Town's mortgages within two years. If the defendants fail to pay off the mortgages, the Town has been given deeds in lieu of foreclosures on both properties permitting them to take title to such properties without the need for foreclosure proceedings.

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF SURFSIDE, FLORIDA
RETIREMENT PLAN FOR EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll c)	UAAL as % Covered Payroll (b-a)/c
10/1/2001	\$8,993,827	\$5,730,053	\$(3,263,774)	157.0%	\$2,098,878	(155.5)%
10/1/2002	8,490,282	6,119,853	(2,370,429)	138.7%	2,528,069	(93.8)%
10/1/2003	8,424,226	7,359,513	(1,064,713)	114.5%	2,793,332	(38.1)%
10/1/2004	9,649,666	7,823,748	(1,825,918)	123.3%	2,857,045	(63.9)%
10/1/2005	9,924,144	8,992,940	(931,204)	110.4%	\$3,170,278	(29.4)%
10/1/2006	10,500,533	9,980,193	(520,340)	105.2	\$3,653,148	(14.2)%

TOWN OF SURFSIDE
 RETIREMENT PLAN FOR EMPLOYEES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 SEPTEMBER 30, 2006

<u>Year Ended September 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>	<u>Actual Employer Contributions Made</u>
2001	-0-	100%	-0-
2002	-0-	100%	-0-
2003	-0-	100%	-0-
2004	-0-	100%	102,410
2005	-0-	100%	102,410
2006	203,274	114%	230,810

* Reinstatement payment

Town of Surfside, Florida
Required Supplementary Information
Budgetary Comparison Schedule (Unaudited)
General Fund
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Property taxes	\$ 5,716,110	\$ 5,716,110	\$ 5,846,079	\$ 129,969
Resort taxes	351,000	351,000	376,277	25,277
Utility taxes	677,287	677,287	728,076	50,789
Franchise taxes	380,000	380,000	470,541	90,541
Licenses and permits	253,100	253,100	256,007	2,907
Fines and forfeitures	220,000	220,000	152,541	(67,459)
Intergovernmental	573,092	803,091	810,032	6,941
Charges for services	125,325	125,325	137,153	11,828
Interest earnings	170,000	410,000	412,754	2,754
Miscellaneous	40,700	549,500	541,022	(8,478)
Total revenues	<u>8,506,614</u>	<u>9,485,413</u>	<u>9,730,482</u>	<u>245,069</u>
EXPENDITURES				
Current:				
General government:				
Legislative	268,309	1,936,869	1,764,902	171,967
Legal services	360,000	758,000	757,423	577
Executive, finance and administration	1,322,504	1,322,504	1,275,692	46,812
Public buildings	<u>349,812</u>	<u>349,812</u>	<u>242,264</u>	<u>107,548</u>
Total general government	2,300,625	4,367,185	4,040,281	326,904
Public safety	3,062,101	3,062,101	2,932,994	129,107
Public works	1,476,386	2,487,386	2,485,230	2,156
Culture and recreation	<u>2,186,628</u>	<u>2,168,628</u>	<u>1,160,070</u>	<u>1,008,558</u>
Total expenditures	<u>9,025,740</u>	<u>12,085,300</u>	<u>10,618,575</u>	<u>1,466,725</u>
Excess of revenues over expenditures	<u>(519,126)</u>	<u>(2,599,887)</u>	<u>(888,093)</u>	<u>1,711,794</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(775,572)</u>	<u>(284,134)</u>	<u>(284,134)</u>	<u>-</u>
Total other financial				
financial sources(uses)	<u>(775,572)</u>	<u>(284,134)</u>	<u>(284,134)</u>	<u>-</u>
Net change in fund balances			(1,172,227)	
Fund balance - beginning of year			<u>6,508,243</u>	
Fund balance - ending			<u>\$ 5,336,016</u>	

Note: The above budgetary comparison is presented at the department level for the general fund, the legal level of budgetary control.

Town of Surfside, Florida
Required Supplementary Information
Budget Comparison Schedule - (Unaudited)
Special Projects Fund (Major Fund)
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest earnings	<u>45,000</u>	<u>45,000</u>	<u>108,557</u>	<u>63,557</u>
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>108,557</u>	<u>63,557</u>
Expenditures				
CURRENT:				
General government	<u>154,200</u>	<u>151,933</u>	<u>151,933</u>	<u>-</u>
Total expenditures	<u>154,200</u>	<u>151,933</u>	<u>151,933</u>	<u>-</u>
Change in fund balance	<u>(109,200)</u>	<u>(106,933)</u>	<u>(43,376)</u>	<u>63,557</u>
Fund balance - beginning			<u>2,320,130</u>	
Fund balance - ending			<u>\$2,276,754</u>	

Note: The budgetary comparison for the Special Projects Fund is presented above at the legal level of budgetary since this fund does has only one department.

Town of Surfside, Florida
Required Supplementary Information
Budget Comparison Schedule - (Unaudited)
Police Forfeiture Fund (Major Fund)
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Forfeitures	\$ -	\$ 4,000	\$ 4,000	\$ -
Interest earnings	<u>8,000</u>	<u>20,000</u>	<u>19,935</u>	<u>(65)</u>
Total revenues	<u>8,000</u>	<u>24,000</u>	<u>23,935</u>	<u>(65)</u>
Expenditures				
CURRENT:				
General government	18,533	18,533	18,520	13
CAPITAL OUTLAY	<u>1,467</u>	<u>34,967</u>	<u>34,547</u>	<u>420</u>
Total expenditures	<u>20,000</u>	<u>53,500</u>	<u>53,067</u>	<u>433</u>
Change in fund balance	<u>(12,000)</u>	<u>(29,500)</u>	<u>(29,132)</u>	<u>368</u>
Fund balance - beginning			<u>549,326</u>	
Fund balance - ending			<u>\$ 520,194</u>	

Note: The budgetary comparison for the Police Forfeiture and Confiscation Fund is presented above at the legal level of budgetary since this fund does has only one department.

TOWN OF SURFSIDE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 1. BUDGET AND BUDGETARY ACCOUNTING

The Town follows these procedures to establish the budgetary data reflected in the financial statements:

Annual appropriated budgets for the governmental (except for the capital projects fund) and proprietary funds are adopted on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to August 1, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them.
2. The Town Commission holds a public workshop on the proposed budget. Formal public hearings are conducted in September to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally adopted by resolution.
4. The budgets for all funds (governmental and proprietary) are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgets are monitored at department level, the legal level of budgetary control. Budgetary control over expenditures, including capital outlay and transfers, is maintained at the department level whereby management cannot transfer or overexpend appropriations at the individual department level. Beginning fund balances, available for financing current appropriations, are considered in the budgetary process but are not included in the financial statements of the governmental fund types as budgeted revenues.

The Town Manager is authorized to transfer part or all of an encumbered appropriation balance within a particular department; however, any revisions that alter the total appropriations of any department and/or fund must be approved by the Town Commission.

If during the course of the fiscal year, it becomes evident that a particular department is unable to provide the required level of services to the Town because of higher costs of providing services, or unforeseen circumstances, the budget may be amended. The Town Manager submits to the Town Commission a request to amend the budget. The request contains explanations, and includes a proposal for financing if additional appropriations are requested. The amendment requires the Town Commission approval and adoption.

During the fiscal year ended September 30, 2005, there were supplemental appropriations of approximately \$3,077,560 in the general fund and \$11,050 and \$2,150 in the Special Projects and the Police Forfeiture and Confiscation Fund, respectively.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Surfside, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

Special Revenue Funds

	<u>Tourism</u>	<u>Library</u>	<u>Transportation Surtax</u>	<u>Capital Projects</u>
ASSETS				
Equity in pooled cash and investments	\$ 331,972	\$ 44,481	\$ 433,736	\$ 87,621
Intergovernmental receivables unrestricted	-	-	16,507	-
Total assets	<u>\$ 331,972</u>	<u>\$ 44,481</u>	<u>\$ 450,243</u>	<u>\$ 87,621</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,813	\$ 2,357	\$ 4,386	\$ -
Accrued liabilities	634	3,239	-	-
Due to other funds	-	-	143,278	-
	<u>2,447</u>	<u>5,596</u>	<u>147,664</u>	<u>-</u>
Fund balances				
Unreserved/undesignated	<u>329,525</u>	<u>38,885</u>	<u>302,579</u>	<u>87,621</u>
Total fund balances	<u>329,525</u>	<u>38,885</u>	<u>302,579</u>	<u>87,621</u>
Total liabilities and fund balances	<u>\$ 331,972</u>	<u>\$ 44,481</u>	<u>\$ 450,243</u>	<u>\$ 87,621</u>

Town of Surfside, Florida

Total

\$ 897,810
16,507

\$ 914,317

\$ 8,556
3,873
143,278
155,707

758,610
758,610

\$ 914,317

Town of Surfside, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2006

	Special Revenue Funds			
	Tourism	Library	Transportation Surtax	Capital Projects
REVENUES				
Resort taxes	\$ 169,987	\$ -	\$ -	\$ -
Charges for services	-	254,384	-	-
Intergovernmental	-	-	198,166	-
Fines	-	214	-	-
Interest	12,611	2,610	3,495	3,532
Miscellaneous	3,194	163	-	-
Total revenues	<u>185,792</u>	<u>257,371</u>	<u>201,661</u>	<u>3,532</u>
EXPENDITURES				
General government	144,226	213,221	47,058	-
Capital outlay	<u>2,401</u>	<u>74,195</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>146,627</u>	<u>287,416</u>	<u>147,058</u>	<u>-</u>
Excess(deficiency) of revenues over(under) expenditures	<u>39,165</u>	<u>(30,045)</u>	<u>54,603</u>	<u>3,532</u>
Other financing sources(uses)				
Transfers in	-	-	-	-
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	39,165	(30,045)	54,603	3,532
Fund balances - beginning	<u>290,360</u>	<u>68,930</u>	<u>247,976</u>	<u>84,089</u>
Fund balances - ending	<u>\$ 329,525</u>	<u>\$ 38,885</u>	<u>\$ 302,579</u>	<u>\$ 87,621</u>

Town of Surfside, Florida

Total

\$ 169,987
254,384
198,166
214
22,248
3,357
648,356

404,505
176,596
581,101

67,255

-
-

67,255

691,355

\$ 758,610

**COMBINING AND INDIVIDUAL
FINANCIAL STATEMENTS
AND SCHEDULES**

Nonmajor Governmental Funds:

Special Revenue Funds:

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Resort Tax Fund - This fund is used to account for the portion of the resort tax collections, which are to be designated to promote the tourism-related activities of the Town.

Library Fund - This fund is used to account for the operations of the Surf-Bal-Bay Library.

Transportation Surtax Fund - This fund is used to account for the proceeds of the Town's allocable share of the Miami-Dade County Transit System Surtax. The expenditures from this fund are restricted to specific purposes.

CAPITAL PROJECTS FUND

Capital Projects Fund - This fund is used to account for capital projects. Transfers from the general and other funds are made to this fund to cover such expenditures.

STATISTICAL SECTION



TOWN OF SURFSIDE, FLORIDA
NET ASSETS BY COMPONENT
LAST THREE FISCAL YEARS
(accrual basis of accounting)

Schedule 1

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets	\$ 6,469,295	\$ 6,583,160	\$ 8,204,180
Restricted	708,589	843,951	822,422
Unrestricted	<u>8,564,661</u>	<u>9,088,389</u>	<u>7,847,877</u>
Total governmental activities net assets	<u>\$ 15,742,545</u>	<u>\$ 16,515,500</u>	<u>\$ 16,874,479</u>
Business-type activities			
Invested in capital assets	\$ 771,812	\$ 778,258	\$ 921,947
Restricted	340,824	342,346	343,868
Unrestricted	<u>2,635,766</u>	<u>3,432,667</u>	<u>3,819,626</u>
Total business-type activities net assets	<u>\$ 3,748,402</u>	<u>\$ 4,553,271</u>	<u>\$ 5,085,441</u>
Primary government			
Invested in capital assets	\$ 7,241,107	\$ 7,361,418	\$ 9,126,127
Restricted	1,049,413	1,186,297	1,166,290
Unrestricted	<u>11,200,427</u>	<u>12,521,056</u>	<u>11,667,503</u>
Total primary government net assets	<u>\$ 19,490,947</u>	<u>\$ 21,068,771</u>	<u>\$ 21,959,920</u>

Source: Town Finance Department

Note: Data not available prior to fiscal year 2004. The Town implemented GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the fiscal year ended September 30, 2004.

TOWN OF SURFSIDE, FLORIDA
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS
(accrual basis of accounting)

Schedule 2

	Fiscal Year		
	2004	2005	2006
Expenses			
Governmental activities:			
General government	\$ 2,423,644	\$ 2,464,164	\$ 4,016,141
Public safety	2,388,142	2,664,931	3,029,368
Physical environment	736,607	909,393	1,161,599
Culture and recreation	992,699	1,247,493	1,460,284
Transportation	28,845	37,034	53,941
Tourism development	147,451	131,335	146,885
Total governmental activities expenses	<u>6,717,387</u>	<u>7,454,350</u>	<u>9,868,218</u>
Business-type activities:			
Water and sewer	1,379,880	1,178,986	1,360,735
Municipal parking	134,292	143,472	107,555
Sanitation	875,509	920,923	1,412,283
Stormwater utility	57,044	62,268	82,940
Total business-type activities	<u>2,446,725</u>	<u>2,305,649</u>	<u>2,963,512</u>
Total primary government expenses	<u>\$ 9,164,112</u>	<u>\$ 9,759,999</u>	<u>\$ 12,831,730</u>
Program Revenues			
Governmental activities:			
Charges for services			
General government	\$ 869,361	\$ 370,259	\$ 257,767
Public safety	130,614	180,367	150,781
Physical environment	-	-	-
Culture and recreation	307,693	359,731	391,914
Transportation	-	-	-
Tourism development	1,277	-	-
Operating grants and contributions	165,901	216,616	350,165
Capital grants and contributions	-	-	-
Total governmental activities program revenues	<u>1,474,846</u>	<u>1,126,973</u>	<u>1,150,627</u>
Business-type revenues:			
Charges for services			
Water and sewer	1,569,718	1,555,453	1,521,173
Municipal parking	336,475	335,327	282,430
Sanitation	785,509	750,510	806,053
Stormwater utility	115,504	115,407	115,324
Operating grants and contributions	12,006	12,952	333,674
Capital grants and contributions	-	-	-
Total business-type activities program revenues	<u>2,819,212</u>	<u>2,769,649</u>	<u>3,058,654</u>
Total primary government program revenues	<u>\$ 4,294,058</u>	<u>\$ 3,896,622</u>	<u>\$ 4,209,281</u>
General Revenues and Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes, levied for general purposes	\$ 3,952,662	\$ 4,735,259	\$ 5,846,079
Sales and use taxes	305,789	297,971	373,129
Resort taxes	534,731	505,346	546,264
Franchise fees	401,532	385,984	470,541
Utility taxes	424,524	439,354	446,933
Telecommunications taxes	274,075	278,064	281,143
Other taxes	110,861	134,824	127,256
Unrestricted state revenue sharing	113,872	157,607	161,649
Unrestricted interest earnings	127,922	263,603	563,494
Unrestricted miscellaneous revenues	227,295	58,743	544,216
Transfers	(55,000)	(258,833)	(284,134)
Total governmental activities	<u>6,418,263</u>	<u>6,997,922</u>	<u>9,076,570</u>
Business-type activities:			
Unrestricted interest earnings	30,820	80,514	151,372
Restricted miscellaneous revenue	-	1,522	1,522
Transfers	55,000	258,833	284,134
Total business-type activities	<u>85,850</u>	<u>340,869</u>	<u>437,028</u>
Total primary government	<u>6,504,113</u>	<u>7,338,791</u>	<u>9,513,598</u>
Change in Net Assets			
Governmental activities	\$ 1,175,722	\$ 670,545	\$ 358,979
Business-type activities	458,307	804,869	532,170
Total primary government	<u>\$ 1,634,029</u>	<u>\$ 1,475,414</u>	<u>\$ 891,149</u>

Note: Data not available prior to fiscal year 2004. The Town implemented GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the fiscal year ended September 30, 2004.

Source: Town Finance Department

TOWN OF SURFSIDE, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Schedule 3

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	966,811	1,675,690	1,730,256	1,852,731	2,556,973	4,330,773	5,553,798	6,234,808	6,508,243	5,336,016
Total general fund	<u>966,811</u>	<u>\$ 1,675,690</u>	<u>\$ 1,730,256</u>	<u>\$ 1,852,731</u>	<u>\$ 2,556,973</u>	<u>\$ 4,330,773</u>	<u>\$ 5,553,798</u>	<u>\$ 6,234,808</u>	<u>\$ 6,508,243</u>	<u>\$ 5,336,016</u>
All other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in										
Resort Tax Fund	18,544	25,472	40,634	79,241	178,788	209,744	240,307	256,341	290,360	329,525
Library Fund	31,692	42,634	59,564	57,898	60,835	61,207	64,043	70,820	68,930	38,885
Special Projects Fund	4,344,665	4,348,059	3,997,281	3,356,669	2,625,161	2,227,887	2,307,297	2,281,356	2,320,130	2,276,754
Police Forfeiture Fund	209,285	142,165	612,158	588,551	492,306	589,844	562,262	538,085	549,326	520,194
Transportation Fund	-	-	-	-	-	-	49,458	120,190	247,975	302,579
Capital Projects Fund	-	-	448	(91,755)	(1,886)	(2,437)	18,890	82,094	84,089	87,621
Total all other Governmental Funds	<u>4,604,186</u>	<u>\$ 4,558,330</u>	<u>\$ 4,710,085</u>	<u>\$ 3,970,604</u>	<u>\$ 3,355,204</u>	<u>\$ 3,086,245</u>	<u>\$ 3,242,257</u>	<u>\$ 3,348,886</u>	<u>\$ 3,560,810</u>	<u>\$ 3,555,558</u>
Total general fund and all other governmental funds	<u>\$ 5,570,997</u>	<u>\$ 6,234,020</u>	<u>\$ 6,440,341</u>	<u>\$ 5,823,335</u>	<u>\$ 5,912,177</u>	<u>\$ 7,417,018</u>	<u>\$ 8,796,055</u>	<u>\$ 9,583,694</u>	<u>\$ 10,069,053</u>	<u>\$ 8,891,574</u>

Source: Town Finance Department

Note: The Transportation Surtax Fund was established during the fiscal year ended September 30, 2003.

TOWN OF SURFSIDE, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Property taxes	\$ 2,218,757	\$ 2,271,233	\$ 2,358,714	\$ 2,465,084	\$ 2,571,169	\$ 2,823,068	\$ 3,555,405	\$ 3,952,662	\$ 4,735,259	\$ 5,846,079
Resort taxes	416,617	395,311	376,422	545,947	751,205	526,374	531,691	534,731	505,346	546,264
Utility taxes	277,498	325,013	286,316	294,154	478,676	629,413	687,660	698,599	717,418	728,076
Franchise fees	321,020	331,421	301,051	307,985	347,263	348,983	312,324	401,532	385,984	470,541
Licenses & permits	104,243	354,106	558,660	264,095	232,338	682,959	427,226	365,350	259,024	256,007
Fines & forfeitures	329,189	331,006	1,109,558	823,494	248,657	249,712	153,748	647,298	311,961	156,755
Intergovernmental	430,699	451,617	468,656	514,055	477,578	511,096	572,133	685,798	788,467	1,008,198
Charges for services	348,600	343,467	336,517	326,389	301,439	305,238	292,820	301,923	356,725	391,537
Interest earnings	309,877	351,937	372,519	432,507	339,352	113,472	128,198	127,922	263,603	563,494
Other revenue	33,098	19,084	28,901	37,992	96,102	61,930	58,935	232,292	59,941	544,379
Total revenues	<u>4,789,598</u>	<u>5,174,195</u>	<u>6,197,314</u>	<u>6,011,702</u>	<u>5,843,779</u>	<u>6,252,245</u>	<u>6,720,140</u>	<u>7,948,107</u>	<u>8,383,728</u>	<u>10,511,330</u>
Expenditures										
General government	1,479,423	1,414,289	1,875,152	1,765,491	1,947,110	1,157,085	1,742,336	2,604,325	2,763,146	4,556,094
Public safety	1,548,942	1,627,956	1,911,275	1,773,863	1,694,729	1,828,766	1,970,007	2,292,629	2,537,447	2,870,994
Physical environment	556,537	589,154	546,182	567,304	599,326	616,647	791,082	716,840	882,428	869,936
Culture and recreation	583,688	530,477	519,297	543,304	558,027	549,742	623,214	778,699	982,374	1,127,950
Capital outlay	352,423	422,732	1,260,229	1,978,746	955,745	595,164	314,464	712,975	474,141	1,979,702
Total expenditures	<u>4,521,013</u>	<u>4,584,608</u>	<u>6,112,135</u>	<u>6,628,708</u>	<u>5,754,937</u>	<u>4,747,404</u>	<u>5,441,103</u>	<u>7,105,468</u>	<u>7,639,536</u>	<u>11,404,676</u>
Excess (deficiency) of revenues over expenditures	<u>268,585</u>	<u>589,587</u>	<u>85,179</u>	<u>(617,006)</u>	<u>88,842</u>	<u>1,504,841</u>	<u>1,279,037</u>	<u>842,639</u>	<u>744,192</u>	<u>(893,346)</u>
Other Financing Sources²										
(Uses)										
Transfers in	148,326	73,436	121,142	-	-	-	400,000	575,483	56,926	-
Transfers out	(13,015)	-	-	-	-	-	(300,000)	(630,483)	(315,759)	(284,134)
Total other financing sources (uses)	<u>135,311</u>	<u>73,436</u>	<u>121,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>(55,000)</u>	<u>(258,833)</u>	<u>(284,134)</u>
Net change in fund balances	<u>\$ 403,896</u>	<u>\$ 663,023</u>	<u>\$ 206,321</u>	<u>\$ (617,006)</u>	<u>\$ 88,842</u>	<u>\$ 1,504,841</u>	<u>\$ 1,379,037</u>	<u>\$ 787,639</u>	<u>\$ 485,359</u>	<u>\$ (1,177,480)</u>

Source: Town Finance Department

**TOWN OF SURFSIDE, FLORIDA
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Schedule 5

<u>FISCAL YEAR ENDED</u>	<u>REAL PROPERTY</u>	<u>PERSONAL PROPERTY</u>	<u>TOTALS</u>
1996/97	405,904,058	11,553,331	417,457,389
1997/98	404,435,667	11,371,200	415,806,867
1998/99	420,949,577	10,845,158	431,794,735
1999/00	438,722,616	11,484,515	450,207,131
2000/01	455,650,845	13,140,027	468,790,872
2001/02	499,459,448	13,414,834	512,874,282
2002/03	629,502,823	13,889,674	643,392,497
2003/04	720,299,567	13,798,601	734,098,168
2004/05	853,714,198	16,959,267	870,673,465
2005/06	1,048,439,274	15,720,579	1,064,159,853

Florida Law requires all property be assessed at current fair market value.

Note: The basis of assessed value is approximately 100% of actual value.
 Assessed values are as of January 1.
 Florida Statutes require assessments at just valuation.

Source: Miami-Dade County, Florida, Property Appraiser

**TOWN OF SURFSIDE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Schedule 6

<u>FISCAL YEAR ENDED</u>	<u>TAX ROLL</u>	<u>TOTAL AMENDED TAX LEVY</u>	<u>CURRENT TAX COLLECTION</u>	<u>PERCENT FOR LEVY COLLECTIONS</u>
1997	1996	\$ 2,265,638	\$ 2,218,621	97.92%
1998	1997	2,329,766	2,271,233	97.49%
1999	1998	2,419,346	2,358,714	97.49%
2000	1999	2,522,511	2,465,084	97.72%
2001	2000	2,626,635	2,571,169	97.89%
2002	2001	2,873,635	2,819,354	98.11%
2003	2002	3,604,928	3,555,405	98.63%
2004	2003	4,113,152	3,952,662	96.10%
2005	2004	4,878,383	4,735,259	97.07%
2006	2005	5,962,488	5,846,079	98.05%

Source: Town Finance Department

**TOWN OF SURFSIDE, FLORIDA
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Schedule 7

<u>FISCAL YEAR ENDED</u>	<u>REAL PROPERTY</u>	<u>PERSONAL PROPERTY</u>	<u>TOTALS</u>
1996/97	405,904,058	11,553,331	417,457,389
1997/98	404,435,667	11,371,200	415,806,867
1998/99	420,949,577	10,845,158	431,794,735
1999/00	438,722,616	11,484,515	450,207,131
2000/01	455,650,845	13,140,027	468,790,872
2001/02	499,459,448	13,414,834	512,874,282
2002/03	629,502,823	13,889,674	643,392,497
2003/04	720,299,567	13,798,601	734,098,168
2004/05	853,714,198	16,959,267	870,673,465
2005/06	1,048,439,274	15,720,579	1,064,159,853

Florida Law requires all property be assessed at current fair market value.

Note: The basis of assessed value is approximately 100% of actual value.
Assessed values are as of January 1.
Florida Statutes require assessments at just valuation.

Source: Miami-Dade County, Florida, Property Appraiser

TOWN OF SURFSIDE, FLORIDA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF TAXABLE VALUE)
LAST TEN FISCAL YEARS

Schedule 8

<u>YEAR</u>	<u>TOWN OF SURFSIDE</u>	<u>MIAMI-DADE COUNTY SCHOOLS</u>	<u>MIAMI-DADE COUNTY</u>	<u>COUNTY DISTRICTS</u>	<u>FLORIDA INLAND NAVIGATION</u>	<u>SOUTH FLORIDA WATER MANAGEMENT</u>	<u>TOTAL</u>
1997	5.6030	10.3660	7.3010	2.6870	.0380	.6720	26.6670
1998	5.6030	10.4620	7.0270	2.6500	.0500	.6970	26.4890
1999	5.6030	10.1600	6.9280	2.7960	.0470	.6970	26.2310
2000	5.6030	9.6440	6.6250	2.7520	.0440	.6970	25.3650
2001	5.6030	9.6170	6.4030	2.7520	.1410	.5970	25.1130
2002	5.6030	9.4760	6.2650	2.7520	.0385	.5970	24.7315
2003	5.6030	9.3520	6.2790	2.6610	.0385	.5970	24.5305
2004	5.6030	9.2000	6.7540	2.6610	.0385	.5970	24.8535
2005	5.6030	8.7870	6.6642	2.6610	.0385	.5970	24.3507
2006	5.6030	8.5380	6.5488	2.6610	.0385	.5970	23.9863

SOURCES: Miami-Dade County, Florida, Property Tax Appraiser's Office
Town Finance Department

Note: Overlapping rates are those of local and County governments that apply to property owners within the Town of Surfside.

TOWN OF SURFSIDE, FLORIDA

Schedule 9

TABLE 9

PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

FISCAL YEAR ENDED	(1) REAL PROPERTY VALUE	(2) CONSTRUCTION	
		BUILDING PERMITS	CONSTRUCTION VALUATION
1997	405,904,058	1,320	11,544,329
1998	404,435,667	1,140	21,514,046
1999	420,949,577	1,314	55,054,574
2000	438,722,616	1,415	54,590,127
2001	455,650,845	1,314	59,952,369
2002	499,459,448	1,378	82,270,221
2003	629,502,823	1,320	81,104,664
2004	720,299,567	1,120	45,654,421
2005	853,714,198	1,099	36,929,784
2006	1,048,439,274	1,261	33,416,004

Sources: (1) Assessed Value from Miami-Dade County Property Appraiser's Office
 (2) Town of Surfside Building Department

**TOWN OF SURFSIDE, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
REAL PROPERTY AD VALOREM TAXES**

Schedule 10

<u>Names</u>	<u>Taxable Valuation</u>	<u>Percentage Of Total Taxable Valuation *</u>
The Beach Club	\$34,408,160	3.26%
Beach House Properties, LLC	17,700,443	1.68%
Bluegreen Vacations Unlimited, LLC	16,219,300	1.54%
South Bal Harbour LLC (SPIAGGIA)	12,747,346	1.21%
Azure Beach Development, LTD	8,565,124	.81%
Publix Supermarkets, Inc.	8,153,086	.77%
9379 Realty Corporation	4,768,000	.45%
City National Bank	4,621,000	.44%
Transacta Lanai, LTD	4,587,575	.44%
Jeansusan	<u>4,581,000</u>	<u>.43%</u>
	<u>\$116,351,034</u>	<u>11.03%</u>

* Excludes Personal Property

Sources: Miami-Dade County Property
Appraiser's Office
January 1 Assessment Roll

TOWN OF SURFSIDE, FLORIDA
TABLE 12
PRINCIPAL TAXPAYERS
PERSONAL PROPERTY AD VALOREM TAXES

Schedule 11

<u>Names</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation *</u>
Florida Power & Light Co.	\$ 3,577,320	22.87%
Publix Supermarkets, Inc.	2,248,098	14.37%
Beach House	1,812,394	11.59%
Bell South Telecommunications, Inc	1,614,173	10.32%
Peoples Gas System	630,121	4.03%
Gold Coast Cable/Charter Company	609,084	3.89%
The Surf Club	516,589	3.30%
Primegro Surfside LLC	452,990	2.90%
CVS/EGL Harding Miami, Fl	247,687	1.58%
9195 Surfside Corporation	<u>196,217</u>	<u>1.25%</u>
	<u>\$11,904,673</u>	<u>76.10%</u>

* Excludes Real Property

Source: Miami-Dade County Property
Appraiser's Office
January 1 Assessment Roll

Town of Surfside
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Schedule 12

Year	Population	(2) Personal Income (thousands of dollars)	(3) Miami Dade Per Capita Personal Income	Median Age	Education Level in Years of Schooling (High School or Higher)	School Enrollment (K-12)	(4) Unemployment Rate Miami Dade County
1997	4,270	*	23,216	*	*		4.9%
1998	4,270	*	23,935	*	*		4.5%
1999	4,270	53,810,771	24,050	*	*		4.2%
2000	4,909	57,922,341	** 38,375	45	87%	1063	4.2%
2001	5,035	60,401,717	25,172	*	*		4.7%
2002	5,061	62,664,565	26,780	*	*		5.8%
2003	5,250	64,630,566	27,670	*	*		6.0%
2004	5,564	68,582,602	***29,076	*	*		5.5%
2005	5,614	*	*	*	*		5.2%
2006	5,614	*	*	*	*		***3.8%

* INFORMATION NOT AVAILABLE

(2) Information obtained by the Bureau of Economic & Business Research University of Florida Year

(3) Miami Dade County Facts

(4) Miami Dade County General Statistical Data 2005 CAFR

*** Florida Legislature Office of Economic and Demographic Research

** 2000 year Information obtained from the US Census

TOWN OF SURFSIDE, FLORIDA

NUMBER OF FULL-TIME

Schedule 13

TOWN EMPLOYEES

FUNCTION PROGRAM	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CITY COMMISSION	*	5	5	5	5	5	5	5	5	5
PUBLIC SERVICE AID	*	1	1	1	1	2	3	4	4	2
CITY ATTORNEY	*	1	1	1	1	1	1	1	1	1
CITY CLERK	*	1	1	1	1	1	1	1	1	1
FINANCE	*	1	1	1	1	1	1	1	1	1
PUBLIC WORKS	*	11	12	9	10	11	9	9	10	9
RECREATION	*	14	12	14	14	14	15	16	18	23
WATER + SEWER	*	3	3	3	3	3	4	5	5	5
STORMWATER	*	0	0	1	1	1	1	1	1	1
SANITATION	*	11	11	9	11	10	11	10	11	12
EXECUTIVE	*	6	6	7	7	7	7	8	8	9
CODE ENFORCEMENT	*	1	2	2	2	2	2	2	2	2
POLICE	26	28	29	28	26	27	32	35	31	39
TOURIST BOARD	*	2	2	2	2	2	2	2	2	2
LIBRARY	*	3	4	4	4	4	4	4	4	4
PARKING	*	1	1	1	1	1	1	1	2	1
TOTALS	26	89	91	89	90	92	99	105	106	117

* NOT AVAILABLE

Source: Town Finance Department

OPERATING INDICATORS BY FUNCTION PROGRAM

Schedule 14

[illegible]

**GENERAL GOVERNMENT:
TAX RATES**

[illegible]

Source: Town of Surfside Finance Department and other various departments

* Indicates information not available
and other various departments

** Indicates fees no longer collected

TOWN OF SURFSIDE, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION
/ PROGRAM,
LAST TEN FISCAL YEARS
Schedule 15

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Area										
Land excluding airport (sq. miles)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Airport land (sq. miles)	0	0	0	0	0	0	0	0	0	0
Water	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Infrastructure										
Paved streets	10	10	10	10	10	10	10	10	10	10
Unpaved streets	0	0	0	0	0	0	0	0	0	0
Sidewalks	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile
Canals & waterways	0	0	0	0	0	0	0	0	0	0
Storm Drainage	388	388	388	388	388	388	388	388	388	388
Town owned street lights	37	37	37	37	37	37	37	37	37	37
FP & L owned street lights	293	293	293	293	293	293	293	293	293	293
Fire										
Stations	0	0	0	0	0	0	0	0	0	0
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Recreation:										
Public Beach (miles)	1	1	1	1	1	1	1	1	1	1
Municipal Parks	3	3	3	3	3	3	3	3	3	3
Municipal Swimming Pool	1	1	1	1	1	1	1	1	1	1
Recreation Areas (acres)	53-90	53-90	53-90	53-90	53-90	53-90	53-90	53-90	53-90	53-90
Recreation Center	1	1	1	1	1	1	1	1	1	1
Municipal Water System										
Water mains (miles)	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7
Reuse water mains (miles)	0	0	0	0	0	0	0	0	0	0
Fire hydrants	84	84	84	84	84	84	84	84	84	84
Fire hydrants (reuse water)	0	0	0	0	0	0	0	0	0	0
Municipal Sewer System										
Gravity Sewer (miles)	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Wastewater force main (miles)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Wastewater lift stations	2	2	2	2	2	2	2	2	2	2

Sources: Town Finance Department
U.S. Census - 2000
Miami-Dade County Statistics
Town Engineer

TOWN OF SURFSIDE

PRINCIPAL EMPLOYERS

September 30, 2006

Schedule 16

	<u>EMPLOYEES</u>	<u>RANK</u>
Publix Supermarkets	128	1
Surf Club	120	2
Town of Surfside	117	3
Beach House	75	4
Best Western	35	5
Solara	28	6

Note: Data not available prior to 2006

Surfside is mostly a residential community with a small business district.

Percentage of Total Town Employment is not available.

**TOWN OF SURFSIDE
INSURANCE COVERAGE
SEPTEMBER 30, 2006**

Schedule 17

Type of Coverage NAME OF COMPANY POLICY NUMBER	Policy Period		Liability Limits
	From	To	
Workers Compensation Florida Municipal Insurance Trust #0578	10/1/2006	10/1/2007	1,000,000
Property and Allied Coverages Florida Municipal Insurance Trust #0578	10/1/2006	10/1/2007	1,000,000
Automobile Liability/Physical Damage Florida Municipal Insurance Trust #0578	10/1/2006	10/1/2007	1,000,000
General/Professional Liability Florida Municipal Insurance Trust #0578	10/1/2006	10/1/2007	2,000,000
Corporate Fiduciary Liability Insurance U.S. Specialty Ins. Co. #U707-50029	1/9/2006	1/9/2007	1,000,000
Flood Insurance - bldg Fidelity National Property & Casualty #09-770006584804	3/30/2007	3/30/2008	500,000
Flood Insurance - Modulars Fidelity National Property & Casualty 09-7701132144-00	12/13/2006	12/13/2007	500,000
AvMed Health Plans G-000369G	10/1/2006	9/30/2007	Per policy schedules
Mutual of Omaha Short/Long Term Disabaility, dental G-000369G	10/1/2006	9/30/2007	Per policy schedules

Source: Town Finance Department

The Town of Surfside is situated on the Atlantic Ocean with Biscayne Bay to the West, Miami Beach to the South and Bal Harbour to the North. The Town is located in the heart of the luxury resort area of Southeast Florida, which is composed of Miami-Dade, Broward and Palm Beach Counties. It is predominantly a residential community with its own shops and businesses. With beautiful beaches, many attractions, and favorable climate, the area attracts a number of vacationers and new residents.

History

The Town began as an adjunct to the exclusive Surf Club. Alfred Barton and Byron Miller, property developers who were members of the Surf Club, purchased adjacent land through the Seaway Corporation, running from the Club to Indian Creek (Biscayne Bay). They developed this sixteen block area into Surfside Boulevard, with utilities and street lights, eight houses and four duplexes.

On May 18, 1935, a petition to incorporate the Town of Surfside was signed by 35 people. The first Town Charter was drafted at the same time.

The Town was first developed for residents, many of whom were Surf Club members or employees. Later tourist facilities grew up on the ocean frontage and the west side of Collins Avenue (A1A). After World War II, workers and professional people built houses in Surfside and later northerners built houses to which they could retire.

Shortly after incorporation, a Town Hall was built. It was located on Harding Avenue and housed the Town's offices, Police Department, Fire Department and a jail on the first floor. The second floor contained the Commission Chambers.

The tiny Fire Department was a three-man team until 1954 when the paid firemen were joined by a group of local volunteers. The fire service today is handled by Miami-Dade County. The Police Department was organized by Alfred Barton and it had increased in size from three in 1935 to 39 as of September 30, 2006.

By 1957, Surfside had outgrown its Town Hall, so a new one was built down the street. The new Town Hall had a garage, facilities for Town offices, the Police Department and a water tank for emergencies. The Commission Chambers were located on the second floor.

In 1962, the Town built a Community Center on the ocean at 93rd Street. The Community Center was composed of a building with an auditorium, and meeting rooms. There is a swimming pool, and access to the beach. The Center also houses the Surf-Bal-Bay Library, and the Surfside Tourist Board. The Community Center is used seven days a week, 52 weeks a year by residents and visitors alike.

The Community Center is the hub of the Town's Recreation Department and a focus of this department is Surfside's young people. The Town takes great interest in providing an atmosphere conducive to learning and fun for the children of Surfside. Summer camp is provided at a minimal cost for Surfside residents. And, the Recreation Department is continually holding parties and contests for the enjoyment of all Surfside residents.

In 1972, the Town erected its tennis courts and a Veteran's Memorial in a park setting at 88th Street and Collins Avenue. The Veteran's Memorial Park was completely renovated last year. The tennis courts are open to the public and provide an ideal form of exercise and relaxation for residents and visitors. The Veteran's Memorial Park offers a serene setting and is the site of memorial services on Veterans Day and Memorial Day.

During the fiscal year ended September 30, 2006, the Town commenced the planning phases of the construction of a new community center complex.

Although there is a vibrant business district on Harding Avenue and tourism continues to be a strong economic force on Collins Avenue, Surfside's major characteristic is its strong residential character. Old and new houses are mixed together in a quiet, relaxed neighborhood setting. This mix of neighborhood and oceanfront results in the residents exhibiting a strong pride in Surfside that sets the Town apart from others.

Climate and Topography

The Town is located on the semi-tropical South-Florida Atlantic Coast sheltered by the Gulfstream. Ocean breezes moderate summer temperatures and warm the winter months. The Town is built on a barrier island that is flat and has an elevation of six to nine feet above sea level.

Demographics

Young families, many with children, are moving into single-family houses and apartments in Surfside. New condominiums are being built on the ocean. The Town business district on Harding Avenue has been revitalized and features prestigious restaurants, banking, clothing shops, shoe shops, pharmacies and many other retail services including a major grocery store.

Town of Surfside Business District

One of Town of Surfside's great success stories has been the creation of a beautiful and popular district for dining, shopping, and conducting business of all kinds. Over the last few years the Town of Surfside has developed one of Florida's premier "restaurant rows," with superb and reasonable priced food from around the globe.

The Town of Surfside's Business and Shopping District has all the variety, charm and serenity that you would expect of a tropical shopping paradise. The District is within easy walking distance of the Town's resorts and residential areas.

The Town of Surfside's Business and Shopping District is located between 94th and 96th Streets on Harding Avenue. Approximately, 100 fine establishments occupy this Business District including superb restaurants, shops, stores, boutiques, financial institutions, offices, and professional services.

With a wide array of shopping and business opportunities, and a beautiful tropical setting, the Town's Business and Shopping District is a favorite place for residents and visitors of all ages.

Ample, reasonably priced parking is available throughout the District. There are numerous on-street parking spaces and several public parking lots surround the Business and Shopping District. Public transportation is available to and from the Business and Shopping District. The Town circulator bus service runs throughout the Town for the convenience of residents and visitors.

OTHER REPORTS

REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON OTHER MATTER BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

A.M. JONES, C.P.A., P.A.

certified public accountants

Alyce M. Jones, C.P.A., P.F.S.

3421 North Powerline Road, Pompano Beach, FL 33069 Broward: 954-973-3421 • Dade: 305-948-5608 • FAX: 954-968-8215

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor
Members of the Town Commission
and Town Manager
Town of Surfside
Surfside, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside, Florida (the Town), as of and for the year ended September 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 1, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report, dated March 1, 2007, on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

In connection with our audit of basic financial statements of the Town for the year ended September 30, 2006, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits*, which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. The recommendations made in the preceding annual financial audit report have not been completely followed, as noted under the heading Status of Prior Year Recommendations.
2. The Town was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. Recommendations to improve the Town's present financial management and accounting procedures, and internal controls are included in the schedule of findings accompanying this report.
4. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the Town:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.

- c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures, except as reported in the accompanying schedule of findings.
 - (2) Failures to properly record financial transactions.
 - (3) Other accuracies, shortages, defalcations and instances of fraud discovered by, or that came to the attention of the auditor.
- 5. The Town was incorporated on May 19, 1935. The Town of Surfside's Charter was adopted under the provisions of Chapter 27914, Laws of the State of Florida in 1951. There are no component units related to the Town.
- 6. a. The Town was not in a state of financial emergency during the year ended September 30, 2006, as defined by Florida Statutes 218.503(1).
- b. The annual financial report for the year ended September 30, 2006, has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2006.
- c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(8). It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end and was based on representations made by management and the review of financial information provided by the Town. There were no findings that identified deteriorating financial conditions.

This report is intended solely for the information of the Town Mayor, Town Commissioners, Town Management, the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

A.M. Jones C.P.A., P.A.

A.M. Jones, C.P.A., P.A.
Pompano Beach, Florida
March 1, 2007

TOWN OF SURSIDE, FLORIDA

SCHEDULE OF FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

STATUS OF PRIOR YEAR RECOMMENDATIONS

Comment:

The system for maintaining proper control of property, plant, and equipment; and recording fixed asset additions and deletions needs to be strengthened.

Our Findings:

See current year finding number 1.

Comment:

The balance sheet accounts should be reconciled on a monthly basis. The monthly report of revenues and expenditures/expenses should be prepared for the Town Manager, Town Mayor, and Commissioners on a timely basis.

Our Findings:

See current year finding number 2.

CURRENT YEAR COMMENTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

Recommendation

1. The control system for the recording of fixed assets on the detail ledgers should be properly maintained to record all assets as they are acquired. The costs of such items should be agreed with the vendors' invoices and the accounting records. The Town needs to implement the recently acquired Fixed Assets and Depreciation software application for the proper recording and control of the Fixed Assets of the Town.

Additionally, the implementation of GASB 34 places added requirements of properly computing and recording the depreciation expense and accumulated depreciation. Therefore, it is very important that the Town has a system in place to properly record fixed assets and depreciation expense.

The repairs and maintenance, capital outlay, and similar accounts should be analyzed on a monthly basis throughout the year to ensure that all capital acquisitions are properly recorded to maintain accountability. The totals as reflected on the fixed assets schedules should be agreed and/or reconciled on a monthly basis with the computer-generated schedules for both the Governmental activities and the Business-type activities.

Management Response

The Town is purchasing a new computer software system, and the fixed assets and depreciation module will be an important part of that new system. Additionally, the Town has employed a new Town Controller who will be advised of the importance of the above procedures, and will be instructed that the above procedures are to be implemented as soon as possible.

TOWN OF SURSIDE, FLORIDA

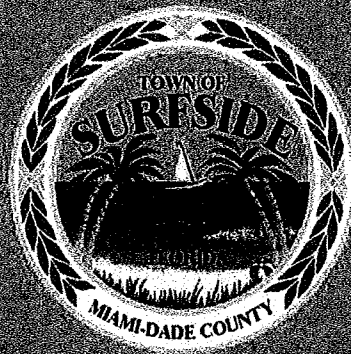
SCHEDULE OF FINDINGS
(continued)

Recommendation

2. The bank accounts of the Town are properly reconciled on a monthly basis; however, all other balance sheet accounts are not being reconciled on a monthly and consistent basis. All of the balance sheet accounts for all funds should be reconciled and the proper supporting documentation for such balances should be maintained in a monthly file. Additionally, all of the revenues and expenditures/expenses should be analyzed on a monthly basis. After these procedures have been followed, the monthly report of revenues and expenditures/expenses should be prepared for the Town Manager.

MANAGEMENT RESPONSES

The Town will advise the new Controller that all balance sheets accounts are to be reconciled on a monthly basis. Also, the revenues and expenditures/expenses should be reviewed by the Town Controller prior to the preparation and distribution of the monthly statements of revenues and expenditures/expenses. The monthly report of revenues and expenditures/expenses are to be prepared, and submitted to the Town Manager on a timely basis.



TOWN OF SURFSIDE

9293 Harding Avenue

Surfside, Florida 33154

(305) 861-4863

www.townofsurfsidefl.gov